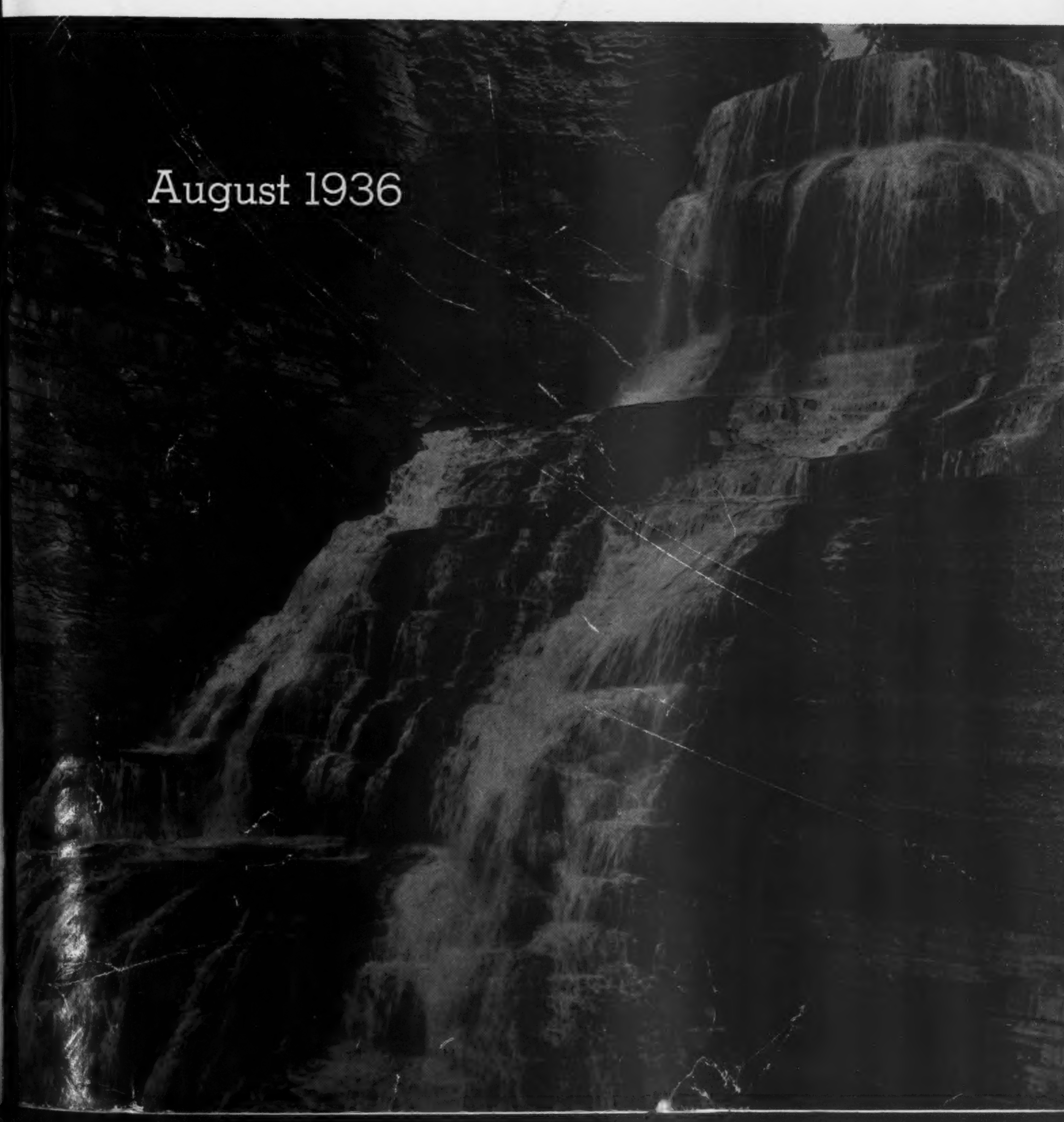
CREDIT and Financial Management




EMPLOYES

CREDIT

and

Financial Management

Contents for AUGUST, 1936

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Legislating in high gear

Because of our desire for speed, efficiency, and a lessening of waste motion, we seem to have built up a complex that often prevents reasonable consideration in our actions. In our legislative halls, for instance, the old maxim "haste makes waste," seems to have been forgotten.

Enumerate the important bills affecting business that have been passed by Congress and the State Legislatures in the past year or two and then check the time devoted to the preparation and study of these bills. You will be amazed at the speed with which much of our legislation has been enacted. The result of such hasty and undigested legislation cannot be anything else than a job poorly done.

If we were erecting a building we would wait for the foundation to be ready before we began the superstructure. The same principle applies to legislation.

When business is confronted with the biggest tax bill in its history and when such legislation is jammed through in the hustle and bustle of the closing weeks of the session, it is no wonder that hesitancy and apprehension are the general rule among those who will be expected to meet the provisions of that tax bill.

The American Merchant Marine should be adequate for our needs, it is generally conceded, but when in the last few days of a Congressional session a bill is passed, with a multitude of provisions and amendments, many of which are of doubtful value, is it wrong to ask how ships or a merchant marine are to be built in the face of policies that cannot be clearly discerned?

Something must be done for the aged, for the sick, for the unemployed, but when we realize that in the course of just a few months of hurried consideration a program as far-reaching as the Social Security Program is adopted, one has reason to wonder whether Congress doesn't really need a brake.

We do not wish to take exception to the current vogue for stream-lining. The trend toward stream-lining our legislation can be beneficial if it is judiciously applied. But with all our stream-lining, let us observe the red lights, so that we do not careen along the legislative boulevard and suddenly find ourselves in a dead-end street.

We admit this is a fast age, but is that any reason why we should use rocket power in our legislation?

Executive Manager, N.A.C.M.

Idle money:

the banker's third degree!

by FRED B. BRADY, Vice-President, Commerce Trust Co., Kansas City, Mo.

Every bank has a useful economic function in our social organization. It must furnish a safe place for its depositors' money, and loan a certain percentage of these deposits in the community. Its future is dependent on management whose function is the conversion of the bank's funds into earning assets through the various factors which make up a proper credit practice, the most vital of which is a sound lending policy.

It is difficult to find new thoughts on any banking question. Some of the ideas which I shall present are borrowed, that we may better present our subject. At the outset, I know that the problems of each bank are affected by such divergent aims, opportunities and limitations that it would be impossible and futile to attempt to set up a formula that would serve all banks. For our present purpose we will confine our discussions to banks outside the cities, for they have already established a lending policy to meet their needs.

The first step necessary in outlining a lending policy is to make a survey and analysis of your deposit liabilities; and the demands of the community. Loans and investments are made largely from deposits. It is therefore necessary that we compare our deposits, both time and demand, with those of previous years on similar dates; the purpose of which is to reflect the ebb and flow of these funds—show their seasonal and cyclical fluctuations and thereby enable us to make our lending policy in harmonious agreement, developing at the same time a ratio between deposits and loans, recognizing in this analysis that public funds in our deposits should not be considered as available for local loans.

The sound credit demands in your area should be met. It is our duty to extend to our customers seasonal credit that is safe, sound and liquid. A survey in a community of the business and its requirements, seasonal and general, will help solve this credit problem and determine the amount to be carried as a secondary reserve.

A recent article based a sound loan policy on three objectives: liquidity, avoiding losses, and earnings.

Liquidity depends on the assumption that the notes will be paid at maturity or that they are eligible for rediscount. The maturity of any note is important. Every lending policy should take into consideration the position of the bank and the borrower at the maturity of the loan. One authority states that: "The prime essential in loan administration is the adoption of a policy which takes the future into consideration, and takes cognizance of every factor which may have influence on the bank's position three months, six months, a year or ten years hence."

A well organized discount committee cooperating with the lending officers of the bank is a safeguarding influence in a lending policy. The selection of this discount committee is important. "Yes" men or men who follow others, or men who hesitate to express themselves are useless on this committee.

Applications for loans come into the bank through the lending officers who in turn present them to the discount committee for approval. After the loan is made there enters a new responsibility, often neglected, of following the loan constantly until it is paid. This follow up policy by the lending officer will often prevent a note from falling into the capital, slow, doubtful, or loss classification. A review of your losses will show that many of them could have been avoided if the loan had come to the attention of the lending officer at proper intervals.

Special attention of the lending officers and discount committee should be given to notes that come up for renewal. This is the opportune time to review and make a survey of the borrower's situation. A definite lending policy on renewals often avoids distressed loans in the future.

I pause here to say that a favorite word with some lending officers and discount committees is, "No." This word is very necessary, but when used in refusing credit or calling a loan it needs explanation. The customer expects the reason why and he is entitled to the information. He is also entitled to any suggestions we may give him that will be helpful in his business financing.

Many loans are turned down when a little time on the part of the lending officer would develop a satisfactory credit. Here is an excellent opportunity to develop a fine customer relationship; for too often when a loan has been refused the customer feels resentful and antagonistic toward the bank. A little time and patience can build a customer relationship in good will to continue through the years to come.

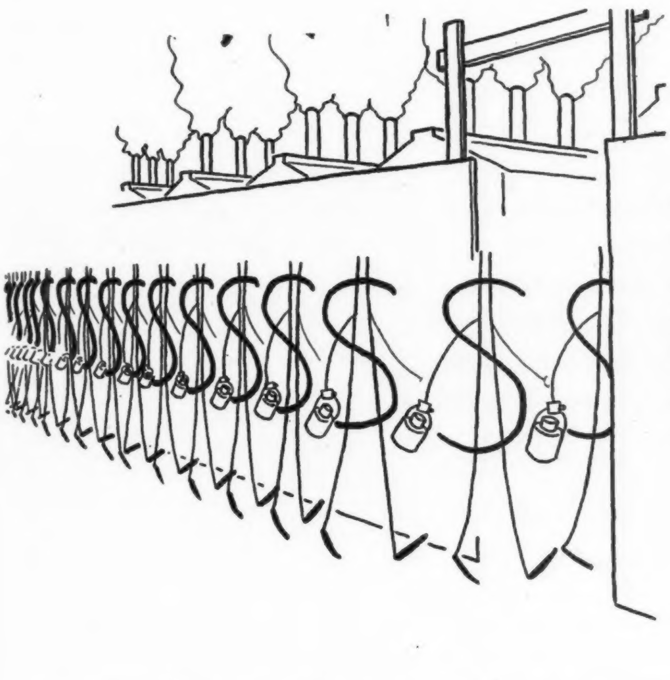
Some classification may be worked out to facilitate the work of following a note in the files. One authority suggests six divisions, as follows:

1. Notes collaterally secured
2. Notes supported by financial statements
3. Notes secured by chattel mortgage
4. Notes secured by real estate mortgage
5. Notes used for capital investment
6. Notes that have become undesirable

For purpose of our discussion these may be condensed into two classes: secured and unsecured.

Under the secured class will fall

those notes having behind them collateral in the form of stocks, bonds, warehouse receipts, chattel mortgages, deeds of trust, etc. This collateral will be made up of a class that has a ready local market or a market on some exchange; and another class that is money good but without a ready market either at home or outside the community. The margin of collateral whether fixed by law or not should always be ample and it is the duty of the lending officer to call for and keep in the files at all times this sufficient margin, and in extreme cases it may be necessary to take the matter before his discount committee.



A banker's roleis,toalarge extent, like an employment agent's: finding paying jobs. In the banker's work, it means paying jobs for deposits.

Too many banks lose sight of the fact that collateral and investments are matters that demand daily attention and it is a mistake for any bank to accept collateral or buy investments and forget both until the maturity of either. These same admonitions of care should be applied to loans secured by chattel mortgages and deeds of trust, and with the further admonition that we know something about the character and integrity of the mortgage borrower, because he has control of the property. Character, which has always been an asset in making loans, is not given the consideration it received in years past, and I sometimes wonder if we are giving it enough attention today.

If the note is secured by a chattel mortgage, the property which it covers should be described so that it can be positively identified and also give us some idea of its estimated value. If the security is a deed of trust or mortgage on real estate, the property should be accurately described as to location, and filed with the application should be an appraisal and a proper certificate of title. These things are elemental and well known to all of us. They are mentioned only because there is a tendency when we are not operating under pressure or emergency to accept papers that are not properly executed.

Capital loans should seldom be made and too often result in a partnership with your bank as one of the partners. No pressure of local circumstances, and no argument of any kind should influence a banker to place his institution in any condition other than a liquid one. He should keep before him constantly the fact that he will always serve his customers and his community best by conserving his own position. Every sound lending policy should be fixed in the interest of the depositor rather than in the interest of the borrower.

In unsecured loans, as with all others, we are entitled to every protection for our depositors' money. Our experience in handling loans of customers and customer banks has convinced us that adequate credit data is necessary on all notes above some determined amount. They should be supported by property statements setting out if possible the facts on each asset and liability item. The old form of balance sheet statement is necessary but it does not give us the information we must have.

Many items in statements should be broken down from a quantitive to a qualitative position. To illustrate what I mean: Take the item of "Receivables" in a merchant's statement. It is important that the total or quantity of this item be classified; that is, be broken down so as to show those that are current, deferred, slow and doubtful; in other words, we must know the quality of this asset.

The earning statement of our borrower over a period of years up to and including the one that is current is very important. For comparison, it is suggested that a borrower's statements which are received from time to time should be carried forward under their respective dates on a sheet ruled for this purpose, showing the progress and trend of each item. It is very necessary that we know the ability of the borrower to produce his wares or run his business and to know the character, integrity and ability of the men he has gathered around him in active charge of the business.

It is a universal practice among bankers handling corporation credits to demand a statement audited by a certified public accountant. The demand for these audited statements is growing and there can be no objection or argument on the part of the borrower against giving an audited statement except for the expense of the certified accounting.

It is essential in building up a sound lending policy that every bank have a well organized credit department under the supervision of someone properly trained. No matter how limited your credit facilities may be, or how crude the forms you use—they are priceless in gathering and compiling information.

The old plan of some officer carrying all the credit information in his head is out of date. All credit information received from any source should be reduced to memorandum, and filed as a permanent record in properly indexed files centrally located.

A lending policy in normal times takes into consideration the balance requirements of the borrower. As bankers we are agreed on a balance requirement policy; so I pass this subject without comment. (*Cont. on page* 33)

This article won first prize (Class B) in the first J. H. Tregoe Memorial Essay Contest

Financing automobile sales

by ELLIS E. INSKEEP

Manufacturers of automobiles have been able to produce and distribute large and increasing quantities of their products by shifting the capital burdens to dealers. In the early years of the industry, dealers were able to finance themselves at least partly from private capital accumulations and the balance of their capital requirements came from ordinary banking sources. However, the rapid growth of the automobile industry caused the capital of the dealers to be inadequate and put a heavy burden upon the commercial banks. The banks were not willing to lend the necessary large amounts to the dealers on unsecured promissory notes nor were they willing to accept the chattel mortgages and warehouse receipts as sole security for loans of the amount and duration asked by the dealers. A commercial bank must so regulate its loans and discounts that they mature with regularity throughout the year and thus maintain a fair degree of liquidity.

Consumers of moderate means, on the other hand, find it convenient and even necessary to purchase automobiles and other articles of high unit value from income rather than savings. Thus, the dealer is confronted with the problem of extending instalment credit to his customers in order to increase his sales. His capital is already employed in the purchase of automobiles and the notes of his customers must be discounted in order to provide him with funds to continue in business. These notes, secured by chattel mortgages or conditional-sales contracts, are subject to rapid depreciation in value due to the difficulty and expense involved in the investigation of risks and repossessions in case of the customer's default.

It is at this point that the need for an intermediary financial institution which would serve both dealers and consumers was realized. Thus, the automobile finance company was formed to finance the purchases of dealers from manufacturers and the purchases of consumers from the dealers. The trend toward finance companies was initiated in the year 1915 by the organization of the Guaranty Securities Company in Ohio. This company was formed to give financial aid to the dealers and distributors of Willys-Overland products. The practice of financing automobile dealers and also their customers was then taken up by commercial credit companies which had been dealing in instalment paper on furniture, washing machines, and other comparatively durable and high-priced goods.

Announcing the award, the "Columbus Citizen" reported that "in addition to the $100, Mr. Inskeep also has a job as a result of this contest. The head of a credit company whom he consulted in his researches promptly awarded him a job."

Following the introduction of the automobile finance company in 1915, the remarkable growth of the automobile industry itself prompted the organization of many companies for the express purpose of dealing in automobile paper. These intermediary finance companies solved four pertinent problems of the dealer by meeting his working capital requirements. The automobile industry requires a continuous manufacturing process in which capital and equipment, to be profitably employed, is not subject to violent fluctuations in production caused by seasonal sales, business depressions, and other economic disturbances.

Despite the introduction of the closed car quite some years ago and the recent attempts to balance sales through off-season sales drives and the early dating of automobile showings of new yearly models, the sales are still characterized by seasonal fluctuations with the peak occurring during the three month period of April, May, and June. To avoid storage congestion, manufacturers must distribute their products throughout the market before the demand actually exists. This problem of storage is the first of the four burdens which falls upon the dealer and which requires a sizeable amount of working capital.

The second problem solved for the dealer by the automobile finance companies has to do with retail financing. As the automobile becomes cheaper as a result of mass production economies, sales on the instalment plan make up the greater percentage of the total number of cars sold, due to the fact that the field covered has increased from additions made up by the consumers from the lower income classes.

In Table I, below, it will be noted that 64 per cent of the passenger cars sold in 1929 were made on the instalment plan. This can be accounted for by the large number of new passenger car registrations in that year, totaling 3,880,206, a sum not as yet equaled in later years. Before the introduction of medium-priced cars the majority of automobile buyers had cash with which to make the purchase and no terms of payment were offered because they were not asked for. However, the great increase in motoring, the unprecedented output of light cars, the increase in the use of tractors and trucks caused by the realization of the usefulness and

TABLE I

PER CENT OF NEW AND USED PASSENGER CARS SOLD ON INSTALMENTS FOR SELECTED YEARS 1929, 1932, AND 1934

Year	New	Used	Total
1929	62.6%	65.1%	64.0%
1932	54.6%	47.0%	48.6%
1933	56.8%	56.8%	56.8%
1934[1]	54.4%	57.9%	56.6%
Average	57.1%	56.7%	56.5%

Source: Automobile Manufacturers Association, "Automobile Facts and Figures," 1935 Edition, p. 62.

[1] Includes Commercial Cars.

economy of motor vehicles in businesses, all shifted many purchases into the hands of buyers who could not or who did not desire to pay cash. A great many business men preferred to pay for commercial cars out of current earnings from this addition to their assets and many individual purchasers lacked the necessary funds for a cash purchase. Thus, the dealer, in meeting the problem of carrying instalment notes for the ultimate consumer, sought and found aid in the automobile finance company.

The third problem confronting the dealer lies in his wholesale financing difficulties. Adequate accommodations in financing the dealer's purchases can seldom be found in the ordinary commercial bank. Automobile dealers are not considered to be the best type of credit risk, at least from the banker's point of view. The banker's standards of credit are too strict as to the size and maturity length of loans to be of much use to the dealer. Most dealers want to repay their loans in instalments and this requires a degree of supervision and investigation which the banks are not willing to undertake. Then, too, the banks regard the chattel securities on automobiles as poor security because of their depreciation and possible losses in case of repossessions.

The fourth problem which worries the dealer but which is handled quite efficiently by the automobile finance company is the credit investigation of consumers. As a service to the dealer, the company takes over the credit investigation and various other duties incurred by selling on the instalment plan. The dealer is not, however, relieved of all responsibility. He must examine the credit of the purchaser and determine whether or not the ability to pay and the necessary traits of character are present. Usually, the automobile finance company gives the dealer an "application for credit" blank on which to record such information as nature of employment, size of savings account, the character of the individual purchaser, amount of monthly income and number of dependents, use to be made of the automobile, and his record of any previous credit transactions with the purchaser in question. This information then guides the automobile finance company in its supplementary credit investigation, and usually, the completion of the sale is pending on the approval of the company.

The first J. H. Tregoe Memorial Prize Essay Contest came to a close late in May and the winners were announced at the 41st Annual Convention of the N.A.C.M. in Richmond in June.

This month we present the prize essay in Class B—open to junior and senior students in colleges of business administration. Last month we published the first prize essay in Class A—open to past and present students in the National Institute of Credit.

The assistance given to the dealers, then, is a contributing factor to the economic justification of automobile finance companies. Their economic justification can also be attributed to the important part credit plays in the great majority of our present day business institutions. The commercial bank is not equipped to handle credit accounts of individual consumers because the specialized supervision of a collection department is necessary to check losses and make repossessions. This department entails heavy overhead costs which need to be distributed over a large number of individual purchasers whose accounts do not require such supervision. The automobile finance company is able to carry the search for credit information to a point at which confidence in the applicant's character and ability to pay prompts them to make the loan. A careful study of business conditions enables the company to spread the risks over different areas and various trades to offset an undue loss in any one locality or any one group of tradesmen. The automobile finance company also arranges the maturities of the various notes so that a distribution of payments and due dates will keep it in a liquid state.

The existence and growth can be justified, in the case of the automobile financing business, by the profit gained through the charges made for their services. These charges depend upon the amount of the cash payment, length of time allowed for the final payment, make and model of the car, and the presence or absence of the dealer's endorsement as well as the company's charge for the use of its money. If the cash payment is large, the number of payments small, the car is a standard make and both new and low-priced, and the interest rates of the company are reasonable, the charges will be comparatively low for the buyer of the car. The insurance charges are included in the payments but do not ordinarily influence the amount of the finance charge.

The following case illustrates the actual purchase of an automobile advertised at the sale price of $900 delivered and fully equipped. The sale was made in June, 1935 and the resulting finance and insurance charges are shown below.

Down Payment (1/3 of cash sale price)	$300.00
Ten Payments of $66.57 each....	665.70
Total Cost of the Car..........	$965.70
Total Cost of the Car...........	$965.70
Deduct: Cash Sales Price........	900.00
Finance and Insurance Charges..	$65.70
Finance and Insurance Charges..	$65.70
Deduct: Insurance Charges......	20.70
Finance Charges Only...........	$45.00

The finance charges divided by the unpaid balance ($600) equals the nominal interest rate charged for the financing period:

$$\frac{45}{600} = .075 \text{ or } 7\tfrac{1}{2}\% \text{ Nominal Interest Rate}$$

To convert this 10-month nominal interest rate into an annual interest rate:

$$\frac{7.5}{10} \times 12 = 9\% \text{ Nominal Interest Rate Per Year}$$

To convert nominal interest rates into actual interest rates use:

True Interest Rate Formula:

$$R = \frac{r(2n)}{n+1}$$

R—True int. rate
r—Nominal int. rate
n—No. of Payments

Substituting the above values in this formula:

$$R = \frac{9\,(2 \times 12)}{12+1} = \frac{216}{13} = 16.61\%$$

It should be observed that although the customer reduces the principal ($600) each month he pays interest on the whole amount just as if he were using it during the entire period of financing. It may be seen from the above illustration that the interest income on the loans made by finance companies to consumers is considerably greater than that received by commercial banks. When the operations of all finance companies are taken into consideration, their charges are found to be anything but uniform. Rates charged by some companies, for example those rates above, are fairly reasonable but those charged by others are exorbitant. In a recent report made by a special commission of the Commonwealth of Massachusetts the lowest rate charged consumers on a loan by automobile finance companies in that state was found to be 10 per cent and the highest rate was 36 per cent. Thus it is apparent that consumers buying cars on the instalment plan are charged exorbitant as well as reasonable rates for the financial services of automobile finance companies.

Automobile finance companies also receive a commission on the insurance required on all cars financed. Many of these firms act as agents for an outside insurance company and others form companies of their own to furnish insurance for their business exclusively. An example of this latter type is the General Motors Acceptance Corporation affiliate, the General Exchange Insurance Corporation which provides insurance for the protection of both the retail purchaser and dealer who are financed by the General Motors Acceptance Corporation.

After insurance charges have been taken care of, other charges which are more or less routine in character and which are usually not added directly to the payments of the retail customer, are made by the automobile finance company. These charges are, however, factors in determining the total amount of the payments or the interest rate charged on the unpaid balance. The first of these charges is made to cover the costs of the credit investigation which is generally made by a local credit bureau and the charges range from 40 cents to $1 per investigation. Other charges originate from fees charged by courts in which the necessary documents must be recorded to register a first lien against the automobile.

Some companies set up a cash credit reserve, sometimes called a "finance reserve," for their dealers and it amounts to 1½ per cent of the first $500 of the unpaid balance plus ½ per cent of the remainder of the unpaid balance. The purpose of this reserve is to protect the dealer against his contingent liability of meeting the unpaid balance if his customer defaults. The size of the reserve, of course, varies with the number of sales made by the dealer and the amounts of the unpaid balances. The reserve was originally set up to counteract any resentment on the dealer's part against those companies which use the recourse system. The recourse system is an agreement by which the dealer making a sale guarantees the character of his customer by endorsement of the document used and he is required to make good any default of the customer in meeting his obligations.

The recent trend has been toward the lowering of rates on the loans made to consumers by automobile finance companies. A plan was started in October, 1935 by the General Motors Acceptance Corporation who labeled the financing charges as amounting to 6 per cent annually. The objectives of this plan are to lower costs to the consumer, simplify financing charges, and reach potential automobile owners. The plan also provides for a charge of ½ per cent per month if fewer than 12 monthly payments are made but the number of payments are known in advance and the total percentage is used to calculate the interest on the original unpaid balance. A similar plan has been adopted by nearly all other automobile finance companies and there is no doubt but that these new plans save the consumer a fair amount of money; however, he still pays about 11 per cent true interest on the unpaid balance which he owes at the beginning of the financing period.

In recent years the dealer has shown an increased tendency toward the finance company for inventory credit accommodations. As shown in Table II below, the volume of retail financing in the five-year period from 1930-1935 was greater than the volume of wholesale financing until the year 1934 at which time the conditions were reversed.

TABLE II

VOLUME OF WHOLESALE AND RETAIL AUTOMOBILE FINANCING DURING THE FIVE-YEAR PERIOD, 1930-1935
(In Thousands of Dollars)

Year	Wholesale (Type of Financing)	Retail	Total
1930[1]	660,979	1,201,341	1,826,310
1931[1]	554,441	950,302	1,504,743
1932[1]	330,267	535,595	865,862
1933[2]	479,984	596,454	1,076,438
1934[3]	907,315	893,175	1,800,490
1935[3]	1,403,564	1,158,435	2,560,999

Source: U. S. Dept. of Commerce, Bureau of Census—Monthly Reports Summary for (1) 313 Companies, (2) 282 Companies, (3) 456 Companies.

It is probable that dealers borrowed as much money in 1930 as in 1935 but the source of their funds was from the commercial banks and from private capital. However, they sought out the automobile finance companies soon after the banking panic of 1933 and the resulting restrictions put on the banks loaning operations as they resumed business. The general trend of the totals in Table II conforms with that of automobile sales and the increased volume of automobile financing during the last three years reflects the increase in sales. The trend also shows a greater confidence on the part of consumers in the continuity of their incomes and their willingness to commit themselves to instalment purchases of automobiles. The truth of this statement may be further substantiated by the statistical facts on automobile financing for the month of January, 1935 and for the same month in 1936. It was found that retail and wholesale financing, taken together, in January 1936 was 58 per cent higher than in January, 1935.

In a study made by M. V. Ayres, wholesale financing in per cent of retail financing was calculated to be as follows:

1929......	42%
1930......	54%
1931......	58%
1932......	62%
1933......	80%
1934......	102%
1935......	121%

In comparing these data with the absolute values listed in Table II a high degree of conformity in the general trend toward wholesale financing will be noted.

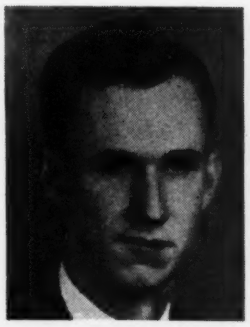
(*Continued on page* 27)

Tregoe Essay Contest Winners

E. B. GNAHN, 1st, Class A
Burlington, Iowa

E. E. INSKEEP, 1st, Class B
Columbus, Ohio

G. F. Mallon, 2nd,
Cl. A, New York



M. C. Ellis, 2nd,
Cl. B, Tacoma, Wash.

C. A. Ter Bush, 3rd,
Cl. A, Phila., Pa.

T. F. Delaney, 3rd,
Cl. B, Brooklyn, N. Y.

A. T. Pollack, 4th,
Cl. A, New York

A. W. Haaland, 4th,
Cl. B, Minneapolis, Minn.

G. S. MacKay, 5th,
Cl. A, Rochester, N. Y.

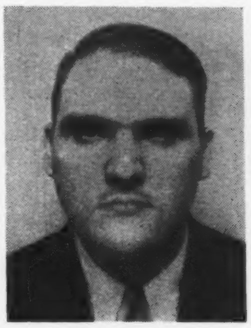
E. C. Zorn, 5th, Cl. B,
New York

C. W. Craig, Hon. Men.,
Cl. A, Phila., Pa.

Norma Moinester, Hon.
Men., Cl. B, Brooklyn, N. Y.

Eleanor Beckwith, Hon.
Men., Cl. B, S. Pasadena, Cal.

J. P. Keddy, Hon. Men.,
Cl. A, Roxbury, Mass.



W. G. Bartholomay, Hon.
Men., Cl. B, Jersey City, N. J.

D. L. Greenspan, Hon.
Men., Cl. B, Brooklyn

W. P. Alexander, Hon.
Men., Cl. B, Newark, N. J.

As this issue goes to press, pictures have not been received of B. J. Lane, New York; Jessica Sullivan, Los Angeles; and R. F. Seager, Syracuse—all Class A, Honorable Mention.

Will the new Undistributed Profits Tax affect credit?

by J. S. SEIDMAN, C. P. A., of Seidman & Seidman, and Associate Director, N. Y. Chapter, National Association of Cost Accountants

A new tax law is in our midst—new in more senses than one. Heretofore, the dominant note has been the rate of tax. Out of little acorns of the pre-war days, with their modest and demure 1% and 2% rates, grew the sturdy oak of the war period, with rates mounting above 80%. A bear market then set in for tax rates, carrying them down to 25%. Treasury deficits swung the tide the other way and brought rates up close to the old highs. In retrospect, the changing scene was primarily the changing rate. To be sure, as fiscal experience accumulated, one law tried to outdo the other in plugging loopholes, perfecting administration and procedure, etc. But essentially, the story remained the same—whatever the rate scale was in the law at the time, the computation answered to the tune of on such and such an income, an individual or corporation paid so much.

Not so with the latest neophyte. Its claim to fame—or doom—is embedded in the introduction of a brand new theory of taxation, at least insofar as corporations are concerned. Individuals have come through relatively unscathed. The new law is still a chip off the old block as regards "homo-sapiens." But as to corporations, the family tie with the laws of old has been severed. A new line of descent has been started. The distinguishing birth-mark is no longer profits made. Another and more important measuring stick has been added, namely, profits *undistributed*. Corporations will now pay tribute not so much on what they earn, as on the amount they keep. The Great God Brown is now *retained* income. The higher the percentage of its profits that a corporation holds on to, the more will the corporation pay its respects—in kind—to the Treasury.

The avowed purpose of the new structure is not revenue, but in a sense, reform. The idea is to encourage, if not eventually to compel, dividend declarations perhaps to the exhaustion point of current profits. In a sociological and economic sense, the undistributed profits tax is conceived as being a stop-gap on accumulation of corporate surpluses, and conversely, a mechanism for effecting broader distribution of purchasing power through the dividends, almost perforce, going to the stockholders. From a tax standpoint, the arrangement is regarded as advantageous to the government, in that the increased dividend income of the stockholders should mean larger tax payments by them in their individual capacity.

The new law is not a clean-cut embodiment of these principles. To the contrary, it is a hybrid affair. Being at best the product of legislative compromise and being somewhat experimental in character, the out and out income tax on corporations is still in the cast of characters. Its role is somewhat reduced in that in the old law (the Revenue Act of 1935 that never really went into effect, being superseded by the new Act before the 1935 Act got going) the rates started with 12½% and the top was 15%. Now, the top is the same, but the start is 8%, the beneficiaries of the lower rates being corporations with income less than $40,000. But transcending this tax in dramatic significance is the superimposed undistributed profits tax that we have here already heralded.

Let us first view the new hero—or villain—purely in terms of stature. The rates range from 7% to 27%, depending upon the proportion of income retained, with special relief for corporations with incomes less than $50,000. The situation may be concretely illustrated through the following tabulation, showing the undistributed profits tax payable on different amounts of income; first, where no dividends at all are distributed, second, where half the profits are paid out, and finally, where all the profits are passed on to the stockholders:

Undistributed Profits
Tax Based on Distribution of

Net Income*	None	Half	All
$10,000	$1,250	$350	...
20,000	3,500	1,100	...
30,000	5,750	1,950	...
50,000	10,250	3,750	...
100,000	20,500	7,500	...
250,000	51,250	18,750	...
500,000	102,500	37,500	...
1,000,000	205,000	75,000	...

* After deducting normal tax.

It will thus be seen that the difference between holding on to profits and paying them out in whole or in part makes so much of a difference in the tax check to be written as to create an irresistible urge on the side of paying dividends.

The undistributed profits tax provision does not stand alone. It is propped by two old cronies that work toward the same end. One is the tax on the personal or family holding company. The undistributed profits of such a corporation will now be subject to a tax from 8% to 48% over and above the income tax and regular undistributed profits tax. (In the 1935 law, the rates were 20% to 60%.) Then there is the tax on the general run of corporations, as distinguished from the personal holding company, for unreasonable accumulation of surplus. This tax is likewise over and above the regular income tax and undistributed profits tax, and its

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The field warehousing plan

by C. F. MATHER,
Special Correspondent

Tom Farrell's dad told me this story. The old man is rather proud of his son, who came to work for his company after he had finished his course in Business Management at Illinois U. How Dad Farrell happened to tell me the story came about in rather an odd way. I had stopped off to see him on a trip to St. Louis. We had always considered Old Man Farrell as one of our best customers, but he was rather slow pay except for a month or so "during his season." However for a year or more the Farrell bills had been paid promptly within the discount period. I had figured out that in twelve months time Farrell had taken something more than $3,100 in discounts and of course we were pleased to learn in checking over his account that his purchases from us during the year had increased just under twenty-eight percent. I'll admit I was just plain curious to find out how Old Man Farrell had managed to get going so well during the past year.

"It's all to the credit of young Bob," the elder told me when I finally screwed up my nerve enough to ask him just how he managed.

"I had a sort of a sneering attitude toward young Bob's college ideas," continued the old man, "but one Sunday evening at home he opened up on me and told me that the cause of all my worry about the business was that I did not have capital enough to carry along through the long selling and manufacturing periods until we could get the orders shipped and our collections made. Well of course the youngster was not telling me anything new on that score. I guess you remember how we were good pay for a few months after our 'harvest' then we would have to ask your house to carry us along for a spell.

"Well sir the boy had it all figured out and I must say that his five years at college would have been a good investment if he had not brought back another single idea except this one. And what do you suppose the boy's scheme was based upon? Just a simple, easily worked plan for what they call "field warehousing."

I knew of course in a general way about field warehousing but I always had a sneaking suspicion that it was some sort of a "hock shop" practice which only really hard pressed people resorted to as a means of staving off the sheriff. So I asked Mr. Farrell to explain his "simple plan" and tell me how it worked out for I was really interested in knowing in the hope it might be of some use to that good customer of ours down in St. Louis I was about to call upon.

It was a "simple plan" once Mr. Farrell explained its operation in his case and I thought other credit men would like to know about it if they were not already conversant with what is now known as field warehousing.

The plan started on the Pacific Coast, I found out later, and was first used for the benefit of the fruit canners. I believe the first case where the plan was used was by one of the larger cooperative marketing associations of fruit canners. The canners "produce" all their goods in a relatively short period of time. The amount of stock these canners produce depends to quite an extent upon the amount of capital they have to carry their operations through the year.

First the canners had to buy their tins. They needed to have cans on hand for their entire year's pack once their producing season started. These cans called for a big cash outlay. Some of the canners had the tins shipped to public warehouses and used the receipts as collateral for bank loans, paying off the loans as the cans were used. Then as the cans were filled with fruit the finished product was returned to the warehouses and new bank loans made against the new warehouse receipts. Warehouse receipts as credit instruments have long been established as among the top grade of bank collateral and have been an important factor in several lines of trade.

It so happened, so the story goes, that one of the warehouse companies doing business exclusively in the canning field had to lease additional storage space one year and actually leased space in the plant of one of its customers. This space was fenced off, placed under the supervision of a representative of the warehousing company and was used just as its own

warehouse. The next season this customer insisted upon having the space used for its own warehousing and so the plan was started for setting up a definite "field" or "in the factory" warehouse which complies with all of the requirements of the uniform warehouse receipts act now used in all but two or three states. The plan was adopted by other canners and finally became general practice in the canning field.

Next the plan for field warehousing was applied to the oil industry and it soon became quite common practice to issue warehouse receipts against large tanks or even on whole fleets of tanks.

Then the cotton industry found a means for easily-negotiable credit instruments through the field warehousing plan.

In the case of Dad Farrell's company the application of the field warehousing idea was, as the boy had told his father, quite simple. Farrell's principal line of production is in toys which are sold from the retail outlets during December. This brought the flood of Farrell's business during October, November and December. Shipments of several carloads per day during these months were not unusual. Farrell once spoke of his plan as a 16 to 1 factory—"16 parts storage to 1 part manufacturing space." First he had to comb the lumber markets for the various woods used in making his toys, then as the orders were placed at the various toy fairs he kept at work turning the wood into a finished product, which in turn had to be stored awaiting the shipping dates named on the orders.

Under the plan that young Bob introduced to his father, the lumber was stored in a section of the plant under lease to the warehousing company. As the lumber was taken from the warehouse stock and put through the plant operations, the bank loans were paid off as the warehouse receipts were taken up. Then as the finished product was again placed in storage new receipts were issued which in turn were taken up as the goods were shipped out. In this way the Farrell plant carried the lumber only during the time of the actual plant operations (about 30 days) and then carried the finished product only during the fifty to sixty day turnover period from the time of shipment until paid for.

"But isn't all this warehousing and banking rather expensive when you figure the totals for the year?" I asked.

"No and as a matter of fact I figure the plan will actually make us a net $5,000 profit through reduced operation charges by leveling down production schedules and being able to take advantage of cash discounts; this is in addition to the increased profit we have been able to make by being able to increase our production by about thirty percent."

Well that was something that appealed to my long training in credit work, so I asked Mr. Farrell to give me more details of how the plan worked. Here are the main features.

The Farrell company leases two storage buildings to a field warehousing company. The latter place their own men in charge of these buildings and their contents, issuing warehouse receipts to cover. Daily reports are made by the warehouse representatives both to the warehouse company and to Mr. Farrell covering the goods put in warehouse and those taken out by properly authorized releases.

The reports also cover many details such as the hour when the warehouse was opened in the morning and when it was locked up at night. At frequent intervals the head office of the warehouse company sends its inspectors to check over the work of the field men. These inspectors come along quite like bank examiners; no one knows when they are coming or what sort of a check up they will make. The warehouse company under the uniform warehousing law must be able to prove in court, if necessary, that every last package of merchandise covered by its warehouse receipts has been under its exclusive care until released by payment of the obligation against the receipt.

Having just gone through a bitter fight in federal court where I had joined with some other creditors to get a court order to include a stock of merchandise covered by an alleged chattel mortgage in the total of assets in a bankruptcy case, I wondered how Mr. Farrell's plan would work in a similar case. He soon made this point clear.

In Mr. Farrell's case the field warehousing company he selected was what the lawyers call a "foreign corporation." It was first necessary for the warehousers to qualify in Illinois as public warehousemen. Then the lease on the storage buildings was filed with the county clerk so as to give notice to all that the warehousing company had full jurisdiction over the buildings. Signs were erected conspicuously on both buildings, inside and outside setting forth that the buildings and contents were under the warehousing supervision of the company named. Every crate of toys or every car load of lumber placed in the warehouse was given a number corresponding to the warehouse receipt covering that particular lot of merchandise. In this way the bank or anyone else holding a warehouse receipt could if necessary

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Photographs with this article from Lawrence Warehouse Co. (below) and Douglas-Guardian Warehouse Corp. (on p. 11)

FIELD WAREHOUSING

A New and Improved Way to Get Loans

Here's a practical visualization of the collateral receipts used in field warehousing.

At right, is an actual facsimile of a Douglas-Guardian Negotiable Warehouse Receipt.

Let us answer your questions

LET'S follow through a typical transaction in field warehousing as suggested by the above illustrations.

The John Doe Milling Company has an inventory of $40,000 in flours and stock feed. It needs $25,000 to $30,000 for current operating expenses.

Through a three-cornered arrangement, entered in by John Doe Milling Company, its Bank, and Douglas-Guardian Warehouse Corporation, we, the warehouse corporation lease necessary space and impound 7,400 bags of stock feed and other products right in the warehouse of the Milling Company.

We properly segregate and designate this merchandise as being under our custodianship, put it in charge of our own bonded Representative and issue our negotiable warehouse receipts, making it available as liquid collateral for the basis of a loan.

As the John Doe Milling Company accumulates cash from goods in transit or outstanding accounts, it liquidates part or all of its obligations at the bank, and in turn we are authorized by the receipt holder to release the inventory.

Meanwhile the banker is in full control of his collateral, and his loan is completely safeguarded by a thoroughly experienced, national field warehousing organization, and protected by a superior type of bond and adequate liability insurance coverage.

Any inventory that is non-perishable and that can be segregated and identified, is suitable for field warehousing. Why not consult us on the availability of your inventory or finished merchandise as a basis for a loan? Or ask for further details on this basis for securing a more adequate and absolutely sound credit. Address our nearest office.

DOUGLAS-GUARDIAN WAREHOUSE CORPORATION

Nation-wide Warehousing Service

NEW ORLEANS, LA. 118 N. Front St. — **CHICAGO, ILL.** 100 W. Monroe St. — **NEW YORK, N. Y.** 100 Broad St. — **DALLAS, TEXAS** 401 Tower Petro. Bldg. — **ROCHESTER, N. Y.** 1223 Commerce Bldg. — **EASTON, MD.** Stewart Bldg.

FAYETTEVILLE, ARK. Appleby Bldg. — **MADISON, WIS.** 155 E. Wilson St. — **TAMPA, FLA.** 416 Tampa St. — **CLEVELAND, OHIO** Leader Bldg. — **LOS ANGELES, CAL.** Garfield Bldg.

ALEXANDER V. DYE, Director, Bureau of Foreign and Domestic Commerce, tells our readers how

Government research can

Statistics furnished by the United States Government are valuable to the credit manager only in so far as they are applicable to his particular business. The greater the geographical area covered by his business, the more he can utilize national and international statistics. But, no matter how limited his business may be, he can derive some benefit from certain national and international information gathered by the Government, because sooner or later national conditions and trends will react on his own limited field of operations.

The function of the Bureau of Foreign and Domestic Commerce is to promote commerce by supplying information which will be helpful to businessmen. In doing this, it must be guided by the need for information which becomes evident as our complicated national life develops through the ramifications of industry at home and the connections of our national industry with that of other nations. Its publications are the result of those needs which have been made manifest by commerce itself, and which the Bureau has been able to supply through its own organization.

The value of current statistical information was forcibly brought to our attention during the World War. The War Industries Board, which was organized during that period, collected much valuable data. With the termination of war activity, this Board was abolished without leaving behind any agency to continue the collection of certain current information which it supplied.

The Board of Governors of the Federal Reserve System, which, in the conduct of its own affairs, needed figures on the movement within trade and industry, inaugurated a broad statistical program. One of its activities, starting about 1920 and of primary interest to credit men, is the collection of data of department store sales and stocks, and accounts receivable. This information in detailed form is, in most cases, carried in the Federal Reserve Bulletin and in the monthly reviews of the various Federal Reserve Banks. Since June of 1934, the Department of Commerce has been publishing monthly the collection ratios on open and installment credit accounts of department stores.

The Department of Labor publishes data upon labor turnover by months and for a number of selected industries. Statistics of wages, hours of labor, and the trend of employment are also available. The movement of the cost of living and its relationship to wages, is obviously of value to credit men. The Bureau of Labor Statistics publishes both retail and wholesale price indexes, as well as other living cost studies.

The Department of Agriculture supplies business with pertinent farm data which are indicative of the movement of business in rural areas; such series are those dealing with crops and livestock production, the movement of goods into markets, prices of farm products, and income and return to farmers. These series, when supplemented with the Department of Commerce index of Rural Retail Sales, give a picture upon which possible sales and collection activity may be based.

The Department of Commerce makes available monthly, through the Survey of Current Business, statistical data of major importance collected by both Government and private agencies and pertaining to business conditions in general.

Among these are the indexes of industrial production, farm income, commodity stocks, prices, construction, employment, freight loadings, and foreign trade. Data are also included on production, shipments, and stocks of a wide variety of individual commodities —from alcohol and beverages to wool. It is interesting to note that the available monthly data increased very rapidly from about 1921 to 1930, but in the depression years the progress has been arrested and it is a question whether we have not lost ground in the past few years. Regardless of what the changes have been in a quantitative sense, there remain many obviously wide gaps in our current data, and there exists also considerable room for improvement in the information that is available.

To bridge these gaps, the Department of Commerce has inaugurated the collection and publication of current data on the distribution of commodities. Among these data are figures showing trends in sales of automobiles, groceries, variety goods, general merchandise in rural areas, drugs, shoes, apparel, etc. Likewise figures are compiled for a number of individual States for retail sales of independent stores by kinds of business.

An annual publication of the Department of Commerce, the World Economic Review, not only presents a picture of the major changes which have taken place in our own domestic economy during the past year, but also contains similar material for the major foreign countries.

In the field of domestic commerce, specific studies which add to the factual basis from which credit men may draw their conclusions are the monthly survey of "Wholesalers' and Manufacturers' Sales and Collections," which is being conducted in cooperation with the National Association of Credit Men, and the "Annual Retail Credit Study."

As many of you are aware, your National Association has for some time investigated the possibility of further serving its members by collecting, analyzing and publishing accurate monthly data relative to the sales and credit experiences of wholesalers and manufacturers throughout the United States. The lack of adequate information is undoubtedly a decided handicap to business men, not only in the formation of credit policies, but in connec-

aid credit management

tion with sales effort and other related activities. The Bureau has long realized the need for such data, and, when approached by your Association, enthusiastically signified its willingness to cooperate.

The material which is being collected is limited to that which is readily available, thereby minimizing the effort on the part of cooperating firms. It is interesting to note that the number of cooperators has increased from 1156 in January of this year to 1643 in April. We are hoping that this number will increase in the same ratio during the next quarter, thereby increasing the significance of our figures and permitting more detailed breakdowns.

The reports themselves have indicated considerable consistency in 1936 recovery as compared with 1935. From data assembled, total sales of both manufacturers and wholesalers were greater for each of the first four months of this year as compared with each corresponding month a year ago. These reports also show that, in the main, both manufacturers' and wholesalers' collection results are slightly improved over a year ago.

You can readily observe that such reports as these add greatly to the total known facts of business. That they fit into your business and provide a sounder basis for credit extension becomes clear when you consider the fact that by such an analysis you have a basis for comparing the efficiency of your own operations with that of others. By analyzing an accumulation of these data, long-term trends of sales and collections will be revealed, as well as seasonal influences.

The 1935 edition of the Annual Retail Credit Study, which will be released in the near future, is the continuation of the series of studies on retail credit which were begun in 1928. Data are presented for fourteen kinds of retail trade and for 88 cities. The forthcoming report indicates consider-

able improvement in retail credit conditions during the year 1935. Although the ratio of credit sales to total sales increased for the majority of the trades, there was a marked increase in the ratio of payments on both open-credit and installment-credit accounts receivable. Moreover, there were marked decreases in bad-debt losses during this period.

Statistics which are of particular interest to credit men engaged in foreign trade are available from the Bureau of Foreign and Domestic Commerce of the Department of Commerce. The Commercial Intelligence Division of this Bureau has on file some 600,000 Sales Information Reports which are designed to present a true picture of the business organization of a prospective buyer of American goods and to indicate reliable and available sources of credit information.

The export credit manager can also watch foreign collections and credits by means of a monthly world-wide reporting service from Foreign Commerce Officers and American Consuls. These reports, which come by air-mail and radio from market centers abroad, are given wide dissemination through "Commerce Reports" and the press, in order that the export credit manager may keep in constant and intimate touch with changing conditions abroad in his field. Those men in the Bureau engaged in foreign credit work have, over a considerable period of time, enjoyed close cooperation with your Association's Foreign Credit Interchange Bureau.

There is also available for distribution certain publications which, in the opinion of many, are vital to wise and efficient credit management abroad; such as, "Credit and Payment Terms in Foreign Countries." This volume has been issued and reissued for some years, and furnishes basic information on the terms and methods of payment in every important market in the world. Another publication, "Sources of Foreign Credit Information," furnishes valuable supplementary reference data on all important sources at home and abroad on foreign credits.

The publications cited above are merely indications of what the credit manager may find useful as a preliminary choice out of the vast sea of publications issued by the Government. The most practical way to get his bearings would seem to be for him to make an exploratory cruise through this sea of literature, using the above landmarks as a guide, and then decide for himself which will be of most assistance in his own field.

The Bureau of Foreign and Domestic Commerce has now been organized for twenty-four years, and its publications are the result of experience derived from the demand of business men for certain information. The Bureau does not wish to publish any information unless there is a real demand for it on the part of business, but it realizes that our industrial system now is so vast and complicated that very few publications are of universal application. Therefore we should like to keep in close touch with your organization for the purpose of cooperation in any form of research for which you feel that there is a widespread demand.

Analyzing foreign credits

by K. H. CAMPBELL, Service Manager, Foreign Credit Interchange Bureau, N. A. C. M.

With the general revival of interest on the part of American manufacturers and with the corresponding increase in sales abroad of American products, many credit executives, who have not in the past few years been called upon to handle foreign credits, are again finding it necessary to do so.

In many companies the treasurer personally looks after the foreign credits. He probably enjoys giving personal attention to this phase of the company's business, because he is interested in the many problems that the adequate handling of foreign credits presents, and in addition he is desirous of relieving his domestic credit executive of this additional task.

But if the credit executive is responsible for foreign as well as domestic credits, a dual personality is somewhat necessary. While he may be very strict and somewhat "hard boiled" in the handling of his domestic credits, experience has shown that it is probably better business to be a little more lenient and tolerant in dealing with foreign customers. The same psychology and technique cannot be applied in handling foreign credits without making some necessary changes in lieu of the personality of your foreign buyer.

For example, collection letters written in English, and in the usual domestic manner, will bring little or no results from a delinquent foreign customer.

Many American manufacturers who are doing a large volume of export business have an export credit manager who devotes all of his time to foreign credits. This is probably the best arrangement and is used a great deal by companies who feel that they have a large enough export volume to warrant it. In some cases an assistant credit manager devotes a great deal of his attention to export credits. This tends to develop his specialization in this particular field and in the long run proves beneficial to the company.

In many cases the export executive, either the export manager or vice-president in charge of foreign sales, is responsible for foreign credits in addition to his main interest which is, of course, export sales. Such an arrangement many times proves to be very beneficial and thus the old adage "sales and credits do not mix" is disproved in this particular instance. If the foreign sales executive is also responsible for foreign credits, there is a general tendency towards conservatism when passing upon export shipments, because no one wants to incur unsound credit risks.

Some companies doing a very limited export business handle it through a combination export manager who, in addition to supervising the export sales of many concerns, also acts in an advisory capacity and makes recommendations for the extension of credit. However, most combination export managers working under such an arrangement would rather have the foreign credits checked by the factory. There are, of course, many other arrangements for the handling of these specific problems by any particular company, but those mentioned cover the field pretty thoroughly.

Any capable foreign credit executive should have some knowledge of the internal conditions in the market to which his goods are being shipped. The foreign sales department of any company has a great deal of such information in its files, and the foreign credit executive should make use of this information in every possible way. He should know, for instance, the probable purchasing power there is in the particular market; what the principal export commodities of each country are; whether they are primarily producers of raw materials or highly industrialized, and, if they produce raw materials, whether or not these raw materials move at certain seasons.

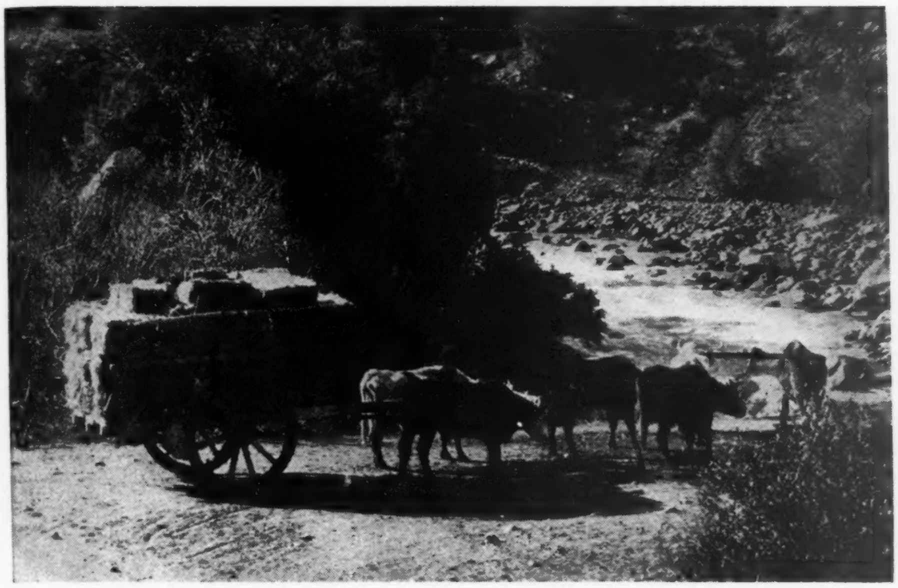
As an example, Brazil is a great producer of coffee and when she begins to ship her coffee abroad a great deal of exchange is created to take care of imports. Chile has always been known for nitrates and South Africa for its gold exports, thus the recent rise in the price of gold has brought about a small boom in South Africa. Other points that should be considered are the national characteristics of a market, such as the temperament of the people, their energy, integrity, thriftiness, etc.

Through various publications, one should keep abreast with the internal credit conditions in a given market. Reports indicate that at the present time Argentine, Ecuador, Mexico, Cuba, Brazil are enjoying a high level of prosperity internally and domestic business is moving along at an accelerated pace.

Recent reports from the Argentine indicate a shortage of labor. On the other hand, some countries are rather depressed internally due to the economic and political disturbances. Such facts as these should be carefully weighed. A clear indication of a country's internal situation can generally be found by carefully investigating how the country, to which you are going to sell your goods, is in turn selling its chief products. Chile's market for nitrate has been drastically curtailed in recent years and thus Chile's ability to buy abroad has been reduced proportionately.

Brazil's export of coffee at the present time runs about 55% of her total volume of export whereas 80% is a more normal figure. However, this differential has been nearly balanced by Brazil's increasing export of cotton. All of the factors such as those mentioned above, should be taken into consideration if an attempt is made to adequately analyze the internal credit conditions in the country to which you are shipping.

Most countries have a foreign debt which naturally entails both the payment of principal and interest. Therefore, one of the important points to which attention should be given is whether or not a particular country is creating enough exchange by export shipments to take care of its foreign debt plus its regular commercial obligations. For the past few years many countries throughout the world have found it necessary to institute some form of control of foreign exchange.



The analyst of foreign credits must know that various nations differ in many respects. Not every nation is mechanized as is the U. S. A., in some the backward methods still hold over.

Drastic control, of course, was necessary when the country was faced with a sharp decline in raw material prices, causing a larger demand for foreign exchange than was created by the flow of exports. There is a constantly changing picture in regard to these exchange restrictions. New regulations are promulgated from time to time, but the situation is gradually clearing and the worst seems to be over.

During the past two or three years there have been very reliable sources of information developed on these foreign exchange restrictions, the most notable probably being the Round-table Conferences on Foreign Credit, Collection and Exchange Problems sponsored by the Foreign Credit Interchange Bureau and held in New York monthly for a discussion of problems arising from such restrictions. The commercial banks and the Finance Division of the Bureau of Foreign and Domestic Commerce have also proven very helpful in this matter and are probably the most used sources of information on this particular problem.

In considering a given order from a country where exchange restrictions exist or have existed, the credit executive should give some consideration to analyzing the entire picture as best he can and consult all available sources of information to decide whether or not there is a possibility of an easement or tightening of such restrictions. He should also watch countries that have had exchange restrictions for the past few years and to gauge for himself what progress is being made to alleviate the condition.

If the situation has improved or is showing signs of improvement, he will probably be confronted with the problem of enlarging operations in the market in question, and will also be requested by importers to again extend terms running into 60 or 90 days, whereas, while the situation was at its worst, shipments were probably confined to a letter of credit; cash New York or straight sight draft. This is a particular problem at the moment in Brazil. Many American manufacturers have reported that their Brazilian customers have recently asked that shipments be made on 60 or 90 days rather than sight draft or 30 days which has been the general practice for the past two or three years.

A knowledge of commercial laws, especially those pertaining to sales contracts, rights of creditor and debtor, bankruptcies and negotiable instruments are part and parcel of the general background necessary to adequately handle foreign credits. A great deal of information of this kind is probably well known to the export sales department, but the export credit executive should have some knowledge of the more important details relating to the above. The Commercial Intelligence Division of the Bureau of Foreign and Domestic Commerce is a very reliable source of information on many of the above problems and should be used extensively.

While the documentation necessary to the adequate handling of export shipments such as bills of lading; bills of exchange; marine insurance; certified commercial invoices; consular invoices; certificates of origin and shippers export declaration are generally handled by the export department, the foreign credit executive should have some knowledge of these various papers, because cases have occurred where a sharp buyer abroad has taken advantage of such a technicality or error in the documents and attempted to evade or delay payment.

In analyzing the credit of an individual buyer, one immediately faces the problem of what constitutes a desirable credit risk abroad. Generally speaking, the answer is, "It depends upon your line." Obviously, the importer of steel rails should be a sounder credit risk than the importer of novelties. Many American manufacturers sell direct to the retailer abroad as well as to the wholesaler and general importer. Therefore, the desirability of your credit risk depends, to some degree, as

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There are five major points that should be considered in the adequate analysis of foreign credits. They are:

1. The type of analysis depends a great deal on the man who makes it.
2. Foreign credits must be analyzed from the point of view of the internal credit conditions in the country to which the goods are being shipped.
3. Foreign credits must be considered from the point of view of the international financial position of the country in which your prospective customer resides.
4. General export information is necessary to adequately analyze foreign credits.
5. The credit of the individual buyer must be carefully investigated.

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to whether or not he is a small retailer or a large importer who buys primarily for re-sale in his own country.

To do an export business, it goes without saying that it is necessary to grant terms. One cannot do any volume of export business by insisting upon "letter of credit" or "cash New York" before shipping. Terms vary in different markets. For instance, the usual terms given to drug and pharmaceutical importers in Latin America run approximately 120 days date draft. The terms you grant necessarily depend upon the terms your prospective customer has been receiving from other American shippers. Fortunately, there has been no competition in terms to secure export business among various American exporters. The transportation situation and the distance your goods have to travel also regulate in some measure, the terms you extend.

Local financial conditions such as the necessity of a wholesaler to grant terms to merchants in the interior, also plays an important part. Then again, you have the problem of tariff costs. Duties running up to possibly 40 to 75% of the value of the goods may have to be paid immediately on the arrival of the shipment.

The question arises as to what is "slow pay" in export business. Slow pay to one exporter in one commodity line may be considered prompt by another exporter of an entirely different line. Some latitude is needed here. Generally, the profit made on the commodity sold and also the desire to keep a product constantly on the shelves, governs this condition. In some lines if a loss occurs and is written off, it is usually charged to that much abused haven of many exporters, "advertising expense." This is particularly true with a widely advertised product.

Speaking from experience, one would be inclined to say that most American shippers consider "30 days slow" as "prompt" and would probably ship again. Other points that should be considered in the matter of granting terms as well as whether the account is prompt or slow pay, is how rapidly the importer is able to turn-over his goods; whether or not you are exporting highly competitive lines and through what outlets your product is distributed.

Many American manufacturers who have been exporting for years and who have adequately investigated and re-investigated their foreign accounts, will tell you that a credit loss of 1/10th of 1% is considered rather high. Many times it is much lower.

American manufacturers, on the whole, are able to finance their export shipments. Few, if any, discount their drafts as they are perfectly able to carry the credit. American banks would be glad to have an increase in the discount of export bills, but unfortunately, from their point of view, they do not get the opportunity to do as much of this business as they would like.

After giving consideration to all the points presented thus far in this article in regard to the country's credit, the general desirability of the credit risk, terms to be extended, etc., you come at last to the information on the individual buyer. The information on individual buyers may be divided into two classes: that received from abroad and that received from home.

Most American manufacturers who are doing business through commission agents abroad insist that the commission agent submit a general credit report with each new order. Some American manufacturers have standardized forms for their agents to use in submitting such information, and others make a periodic check on their customers abroad through their agents. Other information such as a traveler may pick up on a business trip; information from banks, etc., is also highly desirable.

One problem that a domestic credit executive is confronted with in the analyzation of foreign credits is that of the financial statement. Foreign buyers have not been trained to issue statements. They are often difficult to get and I have heard their value questioned many times by American exporters.

There are many sources of information at home. Our large commercial banks have very fine foreign credit files; there are the usual commercial agencies, but the most important experience is that of fellow exporters.

In 1919 the National Association of Credit Men, at the request of many of its members who were entering foreign markets, established the Foreign Credit Interchange Bureau and the Foreign Department of the Association. At the present time, the Foreign Credit Interchange Bureau has information in its files on approximately 350,000 firms located in all the markets of the world who have bought or are buying in this market. It numbers among its members the leading American manufacturers doing an export business and its files are very complete with current ledger information on foreign buyers.

This ledger experience is probably the most valuable that can be obtained because it shows not only the terms under which your prospective customer is buying but the highest recent credit extended from other American sources of supply. How long they have been sold; date of last sale; amount past-due if any; how long past-due and how each individual shipper rates the account, are also covered.

After taking into consideration all the general factors in adequately handling foreign credits, you come down to one basic principle—if your prospective foreign customer is paying his other American suppliers, all things being equal, he is probably a desirable credit risk.

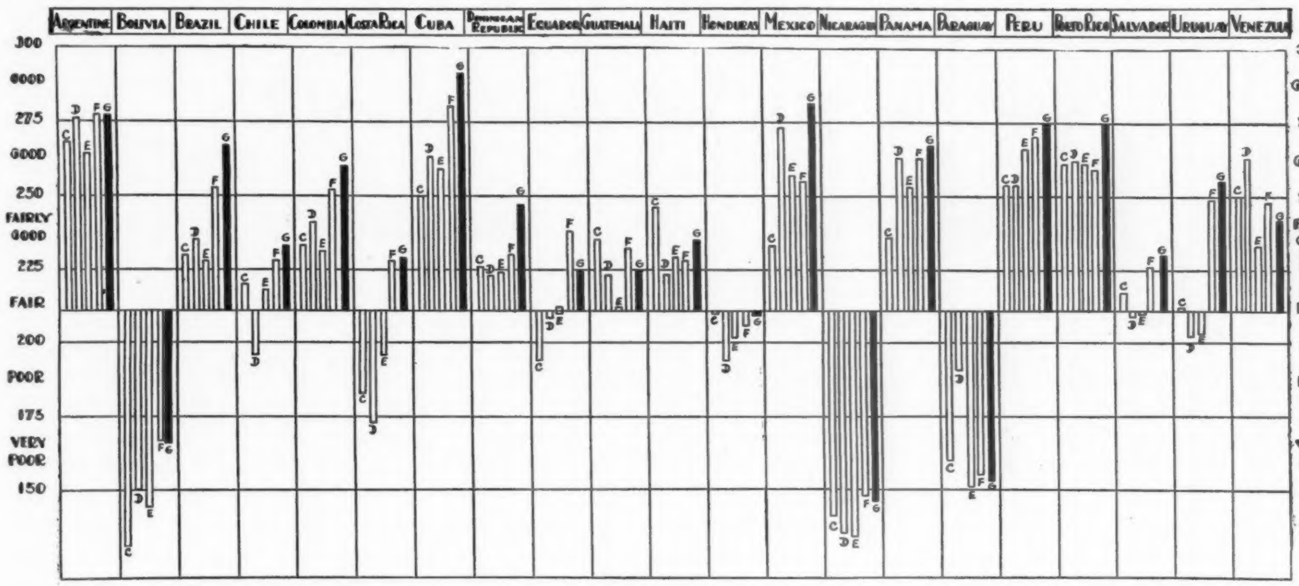
Cooperatives

Cooperative wholesale societies showed a marked increase in business in 1935 as compared with 1934, and effected net savings 75 percent larger than in the previous year. The 12 regional wholesale associations reporting had a combined wholesale business in 1935 amounting to $27,008,163, and had net savings during the year of $776,883, of which sum $407,057 was returned to member societies as patronage refunds and $64,677 was paid in interest on share capital. These societies reported paid-in share capital of more than a million dollars, reserves in excess of $400,000, and total assets of over 3 million dollars at the end of 1935. These data were secured in a recent study made by the Bureau of Labor Statistics.

Since the beginning of the depression a revival of interest in the cooperative movement has taken place in California. A recent survey revealed 210 consumers' cooperative organizations in that State in August 1935, having an estimated membership of 51,000 and a business, during the first half of the year, of over $225,000. Most of the societies were new and small, and few had been able to return dividends up to the time of the survey.

Latin-American survey

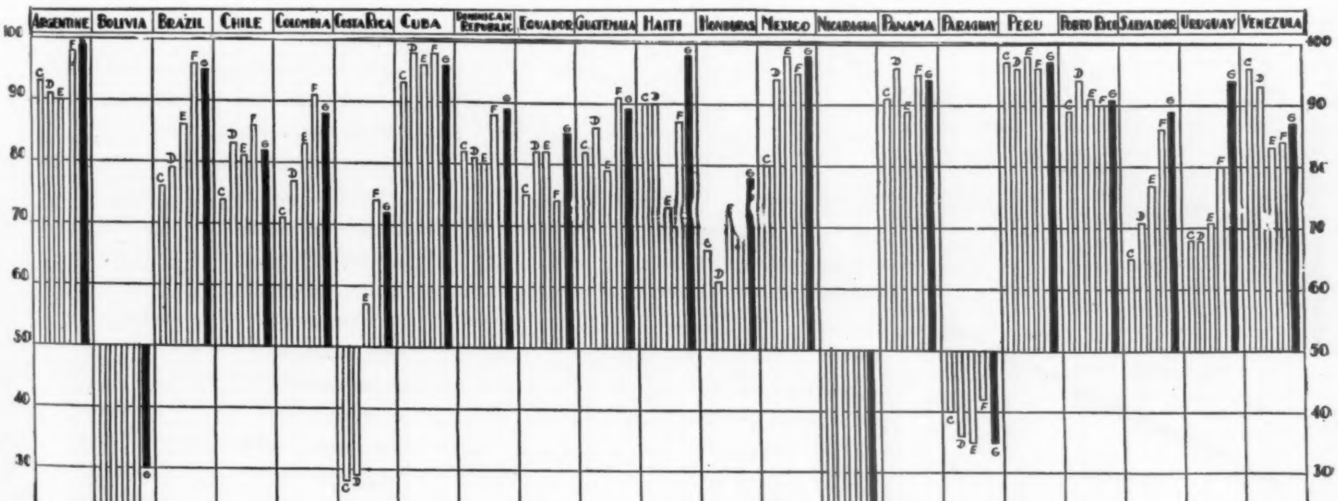
by WILLIAM S. SWINGLE, Director, Foreign Department, N. A. C. M.



KEY—C: 2nd Quarter, 1935, D: 3rd Quarter, E: 4th Quarter, F: 1st Quarter, 1936, G: 2nd Quarter

Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country. (above)

Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey. (below)



The business

Wholesale sales up 19% in June '36 over June '35; collections on A/R at higher rate during same period.

Value of wholesale trade increased noticeably in June, 1936, from June, 1935, and collections on accounts receivable were made at a higher rate over this period, according to reports of wholesalers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 1,090 reporting wholesalers increased about 19 percent in June, 1936, from June, 1935. Without adjustment for seasonal influences, June, 1936 sales registered an increase of approximately 2 percent from May of this year.

All of the wholesale trade groups shown in this report with the exception of the clothing and furnishings group had increased sales in June this year over the same month last year, with building lines showing the most favorable improvement and consumption goods the least favorable improvement. The increases ranged from less than 1 percent for tobacco and its products to over 60 percent for plumbing and heating equipment and supplies. In comparison with May, 1936, 10 of the groups showed increases and 9 decreases.

Results presented separately by certain geographical regions indicate that sales in June as compared with June a year ago increased in all sections of the country for the wholesale trade groups shown. Increases greatly in excess of the average for certain trades were shown in a number of regions, particularly in the Mountain and Pacific States.

Percentages of collections on accounts receivable submitted by 501 wholesalers were higher in June this year than in May this year and June a year ago. In June, 1936, 72 percent of accounts receivable were collected as compared with 68.3 percent for June a year ago and 70.7 percent for May, 1936. In reflecting the average experience of the reporting establishments, the median percentage has been selected as the most suitable average. This method gives equal weight to all firms regardless of the volume of business done and the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle item. This procedure tends to minimize fluctuations.

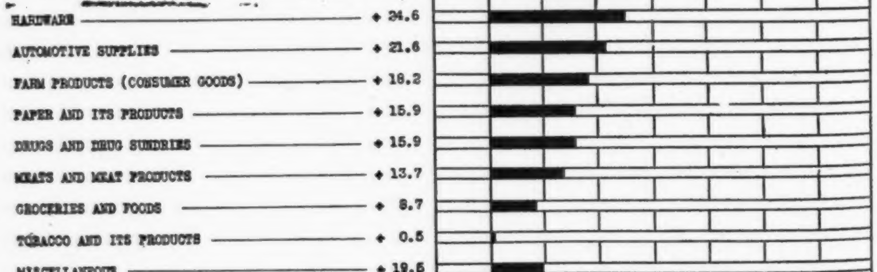
Fifteen of the 18 wholesale groups reporting showed a higher average collection percentage for June, 1936, than for June, 1935. The greatest relative increases in collections from a year ago were registered by electrical goods, clothing and furnishings and grocery wholesalers.

The highest collection percentages were shown by the tobacco and its products group, the median collection figures being 106 percent for June and 108 percent for May this year and 100 percent for June last year. These percentages indicate that customers of these firms took less than thirty days, on the average, to pay for purchases.

Detailed figures are presented in the following tables and chart:

PERCENTAGE OF CHANGE IN SALES OF 1090 WHOLESALERS IN 19 KINDS OF BUSINESS

JUNE 1936 COMPARED WITH JUNE 1935



thermometer:

Manufacturers' sales increase 33% in June '36 over June '35 with collections rising 2.5% over average level of June '35

Marked gains in total net sales and a higher rate of collections on accounts receivable in June, 1936, as compared with June a year ago were reported by manufacturers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 543 manufacturers throughout the country registered an increase of about 33 percent in June, 1936, from June, 1935. Without adjustment for seasonal influences, June, 1936, sales registered an increase of over 3 percent from May of this year.

This is a new study, figures for which were collected for the first time by this Bureau in January, 1936. Although the number of reporting firms has increased since January, the number is still under what is regarded as an adequate sample, particularly when the sample is broken down by subdivisions within industries. The figures are released at this time because of a widespread interest in them and in a short time the sample will be built up until it is thoroughly representative.

Total sales increased in June, 1936, over the same month last year for all of 15 industry groups shown in the report. The increases ranged from 8.9 percent for leather and its products to over 71 percent for iron and steel and their products. Increases in June, 1936, sales over June, 1935, for stone, clay and glass products, and forest products also were high, each exceeding 50 percent.

Percentages of collections on accounts receivable submitted by 517 manufacturers were higher for June, 1936, than for both June a year ago and May of this year. During June this year the manufacturers reporting collected 81.1 percent of their accounts receivable outstanding on the first of that month as compared with 78.6 collected during June last year and 79.4 percent collected during May of this year.

In reflecting the average experience of the reporting establishments the median percentage has been selected as the most suitable average. This average gives equal weight to all firms regardless of the volume of business done, as the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle item. This procedure tends to minimize fluctuations.

Thirteen of the 15 industry groups shown reported a higher average collection percentage for June, 1936, than for June, 1935; one group had about the same percentage for either month, while the printing, publishing and allied industry group was the only one showing a lower ratio over the period. The forest products group registered the greatest relative increase in collections over this period.

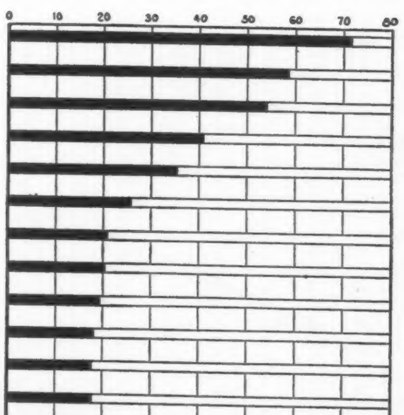
The highest collection percentages were reported by the meat packing industry, the figures for each of the three months covered exceeding 100 percent, indicating that customers of the reporting meat packers took less than 30 days on the average to pay for their purchases.

Detailed figures are presented in the following table and chart:

PERCENTAGE OF CHANGE IN SALES OF 543 MANUFACTURERS IN 15 INDUSTRIES

JUNE 1936 COMPARED WITH JUNE 1935

INDUSTRY	% Increase
IRON AND STEEL AND THEIR PRODUCTS	+ 71.5
STONE, CLAY AND GLASS PRODUCTS	+ 58.4
FOREST PRODUCTS	+ 54.0
MACHINERY, NOT INCLUDING TRANSPORTATION EQUIP.	+ 40.5
RUBBER PRODUCTS	+ 35.3
MOTOR VEHICLE PARTS	+ 25.6
CHEMICALS AND ALLIED PRODUCTS	+ 20.6
TEXTILES AND THEIR PRODUCTS	+ 20.1
NON-FERROUS METALS AND THEIR PRODUCTS	+ 19.1
PAPER AND ALLIED PRODUCTS	+ 17.9
PRINTING, PUBLISHING AND ALLIED INDUSTRIES	+ 17.5
FOOD AND KINDRED PRODUCTS	+ 17.5
PETROLEUM PRODUCTS	+ 16.7
LEATHER AND ITS PRODUCTS	+ 8.9
MISCELLANEOUS	+ 28.9



Sales and collections on accounts receivable of reporting MANUFACTURERS in 15 industries for June 1936

Industry	Number of firms reporting sales	Sales reported: Thousands of dollars: June 1936	June 1935	May 1936	Sales reported: June 1936 percentage change from: June 1935	May 1936	Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month: Median percentages: June 1936	June 1935	May 1936
Food and kindred products, total	104	22,341	19,015	20,062	+ 17.5	+ 11.4	100	109.0	103.1	103.3
Confectionery, flavoring extracts and ice cream	24	2,077	1,803	2,039	+ 15.2	+ 1.9	23	98.6	90.0	97.8
Flour, cereals and other grain mill products	16	6,595	6,084	5,692	+ 8.4	+ 15.9	16	113.3	104.7	116.9
Meat packing	17	5,523	4,534	5,028	+ 21.8	+ 9.8	15	182.0	152.9	161.9
Textiles and their products, total	78	14,172	11,805	14,264	+ 20.1	- 0.7	75	69.0	68.3	68.5
Clothing, men's, except hats	20	1,654	1,491	1,942	+ 10.9	- 14.8	19	56.1	59.0	52.0
Clothing, women's, except millinery	18	1,254	920	1,487	+ 36.3	- 15.7	17	70.0	72.2	68.5
Knit goods	16	1,808	1,591	2,327	+ 13.7	- 22.3	17	56.5	56.4	68.0
Forest products, total	30	2,063	1,340	2,001	+ 54.0	+ 3.1	29	65.0	54.0	62.5
Furniture	20	1,324	851	1,330	+ 55.6	- 0.5	19	62.0	52.0	55.5
Lumber, timber and other miscellaneous forest products	10	739	489	671	+ 51.1	+ 10.1	10	74.8	76.8	74.5
Paper and allied products, total	42	7,808	6,623	7,426	+ 17.9	+ 5.1	36	92.5	87.0	90.3
Paper, writing, book, etc	11	3,200	2,611	2,973	+ 22.6	+ 7.6	10	90.0	86.8	90.3
Paper boxes, and other paper products	31	4,608	4,012	4,453	+ 14.9	+ 3.5	26	95.0	87.0	91.0
Printing, publishing, and allied industries	9	531	452	487	+ 17.5	+ 9.0	8	73.0	79.0	70.4
Chemicals and allied products, total	41	7,940	6,583	8,606	+ 20.6	- 7.7	42	66.4	59.3	63.4
Paints and varnishes	20	2,581	2,073	2,859	+ 24.5	- 9.7	21	57.3	50.0	56.0
Pharmaceuticals and proprietary medicines	11	1,187	1,044	1,148	+ 13.7	+ 3.4	11	87.0	74.0	81.0
Petroleum products	10	27,265	23,372	26,242	+ 16.7	+ 3.9	8	80.8	75.3	79.9
Rubber products	8	1,950	1,441	1,841	+ 35.3	+ 5.9	7	88.0	79.0	83.0
Leather and its products, total	31	6,736	6,184	6,914	+ 8.9	- 2.6	28	62.8	56.9	58.5
Boots and shoes	21	4,857	4,639	5,499	+ 4.7	- 11.9	19	53.5	51.0	50.0
Stone, clay and glass products	21	7,080	4,470	6,359	+ 58.4	+ 11.3	23	93.0	80.6	86.6
Cement**	—	—	—	—	—	—	—	—	—	—
Iron and steel and their products, total	56	40,904	23,847	38,019	+ 71.5	+ 7.6	55	84.0	80.0	81.2
Hardware	13	2,996	2,252	2,767	+ 33.0	+ 8.3	14	85.0	73.0	84.3
Stoves, ranges, and steam heating apparatus	10	2,198	1,495	2,291	+ 47.0	- 4.1	10	55.0	64.5	45.0
Other iron and steel products	33	35,710	20,100	32,961	+ 77.7	+ 8.3	31	84.0	83.8	83.0
Non-ferrous metals and their products	11	1,422	1,194	1,333	+ 19.1	+ 6.7	12	81.3	76.1	77.3
Machinery, not including transportation equipment, total	51	27,139	19,313	27,992	+ 40.5	- 3.1	50	80.9	78.1	76.2
Electrical machinery, apparatus and supplies	20	18,993	13,723	20,266	+ 38.4	- 6.3	21	87.0	84.9	78.6
Other machinery: foundry products	31	8,146	5,590	7,726	+ 45.7	+ 5.4	29	80.0	74.0	76.0
Motor-vehicle parts	15	5,193	4,134	5,517	+ 25.6	- 5.9	11	93.5	87.0	96.9
Miscellaneous industries	36	6,120	4,748	5,841	+ 28.9	+ 4.8	33	70.0	70.5	67.0
Total	543	178,664	134,521	172,904	+ 32.8	+ 3.3	517	81.1	78.6	79.4

*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month.

**Insufficient number of reports at present to show results separately; figures now included with industry group total.

Sales and collections on accounts receivable of reporting WHOLESALERS in 19 kinds of business for June 1936

Kind of business	Number of firms reporting sales	Sales reported: Thousands of dollars: June 1936	June 1935	May 1936	Sales reported: June 1936 percentage change from: June 1935	May 1936	Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month: Median percentages: June 1936	June 1935	May 1936
Automotive supplies	46	2,221	1,826	2,158	+ 21.6	+ 2.9	36	68.8	62.7	64.3
Chemicals**	—	—	—	—	—	—	—	—	—	—
Clothing and furnishings, except shoes	22	864	906	1,148	- 4.6	- 24.7	10	55.0	49.0	54.5
Shoes and other footwear	48	12,777	10,011	13,668	+ 27.6	- 6.5	17	46.0	46.0	50.0
Coal**	—	—	—	—	—	—	—	—	—	—
Drugs and drug sundries	86	10,701	9,236	10,492	+ 15.9	+ 2.0	26	83.2	76.0	83.3
Dry goods	96	11,641	9,283	12,419	+ 25.4	- 6.3	27	44.6	40.8	43.5
Electrical goods	72	7,500	5,657	7,740	+ 32.6	- 3.1	25	87.0	75.0	87.0
Farm products (consumer goods)	30	3,505	2,965	3,335	+ 18.2	+ 5.1	28	88.5	91.9	88.3
Furniture and house furnishings	29	1,611	1,218	1,694	+ 32.3	- 4.9	12	55.1	51.6	52.5
Groceries and foods, except farm products	259	33,057	30,412	30,485	+ 8.7	+ 8.4	94	100.0	90.0	90.8
Meats and meat products	20	8,715	7,666	8,217	+ 13.7	+ 6.1	18	112.3	112.4	107.4
Hardware	137	16,405	13,170	16,488	+ 24.6	- 0.5	43	56.9	48.9	56.0
Jewelry and optical goods	15	524	372	393	+ 40.9	+ 33.3	—	—	—	—
Lumber and building material	11	908	612	825	+ 48.4	+ 10.1	9	61.1	60.1	58.4
Machinery, equipment and supplies, except electrical	36	2,590	2,055	2,312	+ 26.0	+ 12.0	26	74.5	67.6	68.6
Metals	11	474	326	578	+ 45.4	- 18.0	10	68.6	67.7	62.8
Paper and its products	82	5,150	4,443	4,894	+ 15.9	+ 5.2	37	74.3	73.0	69.8
Petroleum and its products**	—	—	—	—	—	—	—	—	—	—
Plumbing and heating equipment and supplies	35	2,462	1,532	2,113	+ 60.7	+ 16.5	32	63.9	60.5	64.3
Tobacco and its products	14	1,648	1,639	1,666	+ 0.5	- 1.1	13	106.0	100.0	108.0
Miscellaneous, total	41	6,149	5,145	6,180	+ 19.5	- 0.5	38	73.3	70.7	70.3
Leather and leather goods**	—	—	—	—	—	—	—	—	—	—
Beer, wines, and spirituous liquors**	—	—	—	—	—	—	—	—	—	—
Total	1,090	128,902	108,474	126,805	+ 18.8	+ 1.7	501	72.0	68.3	70.7

* These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

** Insufficient number of reports at present to show results separately; figures now included with Miscellaneous.

SALES AND COLLECTIONS ON ACCOUNTS RECEIVABLE OF REPORTING WHOLESALERS IN 9 KINDS OF BUSINESS, BY GEOGRAPHICAL REGIONS
JUNE 1936

(Results shown only for those trades having a sufficient number of reports for one or more regions*.)

Kind of business and region	Number of firms reporting sales	Sales reported: Thousands of dollars			Sales reported: June 1936 percentage change from:		Number of firms reporting collections	Percent of collections during month to accounts receivable at beginning of month: Median percentages		
		June 1936	June 1935	May 1936	June 1935	May 1936		June 1936	June 1935	May 1936
Automotive supplies, total	46	2,221	1,826	2,158	+21.6	+ 2.9	36	68.8	62.7	64.3
East North Central	14	651	558	673	+16.7	- 3.3	14	69.3	71.2	67.9
Mountain and Pacific	14	394	338	364	+16.6	+ 8.2	—	—	—	—
Shoes and other footwear, total	48	12,777	10,011	13,668	+27.6	- 6.5	17	46.0	46.0	50.0
Middle Atlantic	15	1,396	1,218	1,850	+14.6	-24.6	—	—	—	—
West Central	11	9,841	7,580	9,649	+29.8	+ 2.0	—	—	—	—
Southeastern	10	779	596	1,231	+30.7	-36.7	—	—	—	—
Drugs and drug sundries, total	86	10,701	9,236	10,492	+15.9	+ 2.0	26	83.2	76.0	83.3
East North Central	21	1,951	1,670	1,881	+16.8	+ 3.7	11	93.2	80.2	91.0
West Central	25	3,075	2,502	3,177	+22.9	- 3.2	—	—	—	—
Southeastern	20	1,572	1,455	1,603	+ 8.0	- 1.9	—	—	—	—
Mountain and Pacific	12	2,712	2,335	2,499	+16.1	+ 8.5	—	—	—	—
Dry goods, total	96	11,641	9,283	12,419	+25.4	- 6.3	27	44.6	40.8	43.5
Middle Atlantic	19	2,349	1,985	2,529	+18.3	- 7.1	—	—	—	—
East North Central	9	989	807	1,227	+22.6	-19.4	—	—	—	—
West Central	22	5,299	4,022	5,251	+31.8	+ 0.9	—	—	—	—
Southeastern	26	1,988	1,571	2,387	+26.5	-16.7	11	42.7	35.5	43.1
Mountain and Pacific	19	1,000	885	1,009	+13.0	- 0.9	—	—	—	—
Electrical goods, total	72	7,500	5,657	7,740	+32.6	- 3.1	25	87.0	75.0	87.0
East North Central	29	2,181	1,486	2,302	+46.8	- 5.3	—	—	—	—
West Central	11	1,063	828	1,108	+28.4	- 4.1	—	—	—	—
Southeastern	9	1,142	955	1,263	+19.6	- 9.6	—	—	—	—
Mountain and Pacific	17	2,339	1,751	2,183	+33.6	+ 7.1	—	—	—	—
Groceries and foods, total	259	33,057	30,412	30,485	+ 8.7	+ 8.4	94	100.0	90.0	90.8
Middle Atlantic	53	10,019	9,146	9,179	+ 9.5	+ 9.2	17	95.7	85.9	91.0
East North Central	58	7,867	7,492	7,253	+ 5.0	+ 8.5	31	100.0	86.0	94.0
West Central	59	7,141	6,693	6,648	+ 6.7	+ 7.4	14	97.0	95.5	86.0
Southeastern	47	3,019	2,617	3,801	+15.4	-20.6	19	90.0	89.6	90.0
Mountain and Pacific	36	4,655	4,167	4,295	+11.7	+ 8.4	9	110.0	100.3	100.1
Hardware, total	137	16,405	13,170	16,488	+24.6	- 0.5	43	56.9	48.9	56.0
Middle Atlantic	23	1,461	1,236	1,557	+18.2	- 6.2	—	—	—	—
East North Central	22	3,627	3,018	3,476	+20.2	+ 4.3	10	62.0	52.5	58.0
West Central	36	4,230	3,420	4,044	+23.7	+ 4.6	10	62.4	55.1	58.2
Southeastern	34	2,759	2,176	3,273	+26.8	-15.7	16	49.0	46.7	49.0
Mountain and Pacific	20	4,160	3,177	3,953	+30.9	+ 5.2	—	—	—	—
Paper and its products, total	82	5,150	4,443	4,894	+15.9	+ 5.2	37	74.3	73.0	69.8
Middle Atlantic	18	1,071	929	1,087	+15.3	- 1.5	—	—	—	—
East North Central	16	1,393	1,110	1,316	+25.5	+ 5.9	14	76.6	75.0	71.8
West Central	9	290	279	307	+ 3.9	- 5.5	—	—	—	—
Southeastern	9	426	312	375	+36.5	+13.6	—	—	—	—
Mountain and Pacific	28	1,858	1,701	1,684	+ 9.2	+10.3	—	—	—	—
Plumbing and heating equipment and supplies, total	35	2,462	1,532	2,113	+60.7	+16.5	32	63.9	60.5	64.3
Mountain and Pacific	10	835	508	710	+64.4	+17.6	9	67.3	66.9	65.0

*States comprising regions:
New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut)
Middle Atlantic (New York, New Jersey, and Pennsylvania)
Southeastern (Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, and Mississippi)
East North Central (Ohio, Indiana, Illinois, Michigan, and Wisconsin)
West Central (Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Arkansas, Louisiana, Oklahoma, and Texas)
Mountain and Pacific (Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California)

Name of Concern: ....

Address ....

(City) (County) (State)

Check type of establishment: Wholesale ☐ Manufacturer ☐ Principal line of merchandise handled ....

Check if merchandise is distributed: Nationally ☐

Territorially ☐ Locally ☐

1. Will you submit information on total sales and collections promptly after the end of each month?...............

2. Would you *also* be willing to report, *at quarterly intervals,* the percentage of your dollar accounts receivable which are overdue more than 30 days but less than 60 days?........ More than 60 days?..........

Name of person responsible for furnishing information:

To take part in this survey, send us this coupon.

Field Warehousing

(*Continued from page* 12)

positively identify every piece of merchandise covered by his receipt. So it would be a simple matter for the bank to show in court, should an occasion arise such as I had just gone through in bankruptcy court, that the merchandise had been outside of the Farrell jurisdiction as a current asset, from the hour it was placed in the warehouse.

There was still just one point which did not seem "quite simple" to me so I made bold to ask Mr. Farrell about it.

"How do your bankers feel about this warehousing business?" I asked.

"Well they seem to like it very well, for the amount of business I am doing with the banks, both here and in Chicago has increased about five times," he replied with a sly grin. "You would not find these bankers increasing their business with the Farrell Company by five times, no matter how much they thought of us, unless they were convinced they were treading on safe ground. As a matter of fact I had a letter from one of the banks in Chicago just this morning complaining about not getting as much of this warehouse receipt business as they thought they should. You may be sure it was a matter of satisfaction to me to be able to write in reply that I had been able to better their terms of interest elsewhere by more than one percent and that they probably would not be getting any more warehouse receipt business until they were able to revise their interest quotations.

"It has been rather a surprise to me that these field warehouse receipts have just as high a standing in the banking circles as do the regulation public warehouse receipts; in fact the bankers seem to like them even better because they know that by using the field warehousing plan I am saving almost enough on trucking charges to pay a considerable portion of the warehousing charge."

Mr. Farrell indicated that some of the larger "bill houses" had been after his warehouse receipt business but that he expected to continue to do business with the three banks where he had carried his business for many years.

After leaving Mr. Farrell's plant I learned something more about field warehousing. The number of field warehousing operations has increased rapidly during the past five years. The rate of increase has been very fast in the past three years and indications are the next two years will find a much greater growth. The real spurt in the use of these rather new credit instruments came after the bank holidays when the examiners insisted liquidity of assets. The warehouse receipts meet this requirement much better than bills-of-sale, chattel mortgages and other instruments which represent an obligation backed by merchandise. Mr. Farrell told me that the bank in the Illinois city in which his plant is located was a bit shy at first about taking on this kind of business but after getting a report from its Chicago and New York correspondents, were satisfied the warehouse receipts were practically like cash in the till as they could be readily sold in the money marts.

While in St. Louis I found an opportunity to ask one of the larger bankers what points he checks when a warehouse receipt loan is offered his bank. He indicated that the first point he checks is the reputation and standing of the company doing the field warehousing. The better warehousing companies are quite careful of their reputations and closely guard every transaction so that the receipts they issue will be (*Cont. on page* 29)

Burroughs

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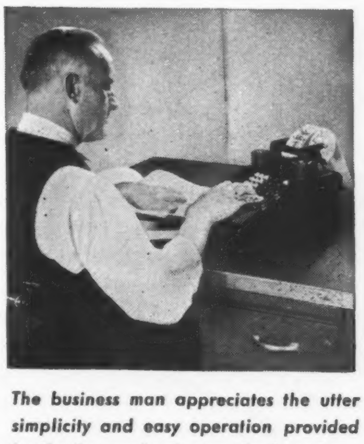
Skilled operators prefer Burroughs short-cut keyboard because its automatic features and other advantages permit so many short-cuts to fast operation.



The business man appreciates the utter simplicity and easy operation provided by the Burroughs short-cut keyboard.

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The other's side

Another "piece of her mind"

Sirs:

You have very kindly given me the space to reply to Professor McKee's June article on the fundamentals of good letter writing. In his article, he objects to many of the statements I made in my former article which was published in the April issue of this same magazine.

In spite of Professor McKee's criticism and justly pointed remarks, I still stand firmly and solidly in favor of my methods. Briefly, here are the planks of my platform, together with an explanation of each:

1. Credit men are not letter-minded. Letters are the last thing they think of. Get a group of credit men together and what will they discuss? First, how to judge credit, how to figure a basis for extending credit, what bad or good influence various floods, celebrations, and other factors will have upon collections, and how collections are in other fields. Lastly—letters. Am I not right?

2. Since credit letters are the work of one man, or one department, it is inevitable that the dictator fall into a rut. This means that the same words are repeated over and over again. There is no sparkle, lift, or wit to the letters. It is the exceptional firm that calls together a meeting to plan, discuss and tear apart credit letters.

3. Slang is the American Language. The use of slang adds zest, life and sparkle to a letter. Why do you find the sport pages of a newspaper more interesting than the front pages? It is because sport writers have developed a fast, breezy style that is keenly alive, interesting, and descriptive. Their articles carry a punch, are new, and up-to-the-last-minute—and your letters have to be the same way. If you can't interest your customers, your collections are going to fall, simply because they won't bother to read your letters. Sounds logical, doesn't it?

4. The pronoun "I". Insistently and dogmatically, I believe that an "I" sprinkled through the body of a letter makes for the personal touch. Even if you are just a small cog in an immense corporation, you can express the personality of the company. If a customer will say—"I have never been at their plant, but this fellow Jones is a darn nice chap. I like to deal with them, cause I know he'll take care of me O. K. No, I've never met him, but we've corresponded."—If your customers say that, don't you think you have gained a friend for your firm?

Without question, my first article dealt with generalities, but may I say that no writer ever expects his readers to take him literally and follow his directions to a "T". Temper my advice, and Professor McKee's advice with your own personality and judgment and start writing.

In closing, I would like to stop a moment to thank all the kind people who had written to me. I was not able to thank each one individually, because it seems that Spring is just another way of spelling Paint—but each and every comment was very much enjoyed and appreciated.

Sincerely,
Helen H. Mutnick,
Reliance Paint & Varnish Co.
Detroit, Mich.

The article has a "kick"

Gentlemen:

Your April number of Credit and Financial Management is chuck full of good things, and I hope that it will not irritate you if I write and say so. Such articles as "Developing credit men", by Dr. Paul Hickey and "Safeguarding capacity by U. & O. coverage", along with others are good. And then the one by Helen Mutnick!

Many moons have come and gone since I received such a kick as I had from the article she wrote. In fact, I have just finished reading it the third time. If her picture does her justice, and she can talk as well as write, I would enjoy an hour's argument pro and con on the subject she writes about, and at the end of that time I have no doubt she would have bested me at every point. But seriously—this subject is right down my alley and I can't agree with her that all credit men write stereotyped, worn out, stilted, personality-hiding letters.

True, my sphere of observation is limited to some extent, but I know a number of credit men who write original credit letters, and knowing the men, the letter which they write really reflects their personality and their natural self. In fact, we discuss this subject at our Local Credit Association group, and endeavor to do just what the lady talks about in her article.

Now, I must take my hat off to the lady as being the author of a bang-up good article, and it will be the means of spurring me on to write a letter to our customers that will bring the answer, and at the same time leave a good taste in his mouth and build up more business.

Yours truly,
The Parkersburg Iron & Steel Co.
A. A. Merritt, Credit Manager.
Parkersburg, W. Va.

To-day's order may be tomorrow's disorder

Sirs:

I was interested in Lawrence P. Morse's article in your May issue. Whether we eventually run into currency inflation or not is anybody's guess. Ardent prognosticators defend both phases of the question.

Up to this period of our recovery a large part of our business activity has been stimulated and nurtured by artificial respiration. Even so, is it safe to assume that private capital will not be timid indefinitely? The momentum of business activity at present under way will stimulate confidence and private capital will emerge from its lethargy and bid itself up. The law of supply and demand will assert itself. The two

billion dollar stabilization fund which Mr. Morse has referred to will probably not be employed by the Federal Government to maintain interest rates at their present low level. This fund is more valuable in hibernation than in activity. But even if it were used the unprecedented volume of business in high priced dollars of a prosperity cycle would absorb it readily.

And the point I want to make is right here. When private circulation of money supercedes federal artificial circulation the government cannot continue to refund its bond obligations in such ridiculously cheap interest. On the other hand to continue to assess the increasing costs of its tremendous debt structure against the tax payer may eventually prove very unpopular and poor politics. And at this juncture we find the greatest threat of currency inflation. It is an issue not dead—just lying dormant. The big temptation will be to side-step rising interest rates or a pyramiding debt structure through the short cut of printing press money. The public won't be slow to clamor for currency inflation when they are appraised of the fact that the rising cost of food, clothing and shelter is the cause of the Federal Government's draft against their incomes, made necessary to underwrite the cost of borrowed money.

One cannot fabricate the future too much out of the raw material at hand today. The order of today may be the disorder of tomorrow.

Your very truly,
S. B. Moffett,
Moffett Grocer Company,
Flint, Mich.

Financing auto sales

(Continued from page 8)

Ayres also made a report, in the same study, on the relation between the wholesale value of motor vehicles produced and the percentage of that value which was wholesale financed:

1929......	23%
1930......	37%
1931......	45%
1932......	48%
1933......	58%
1934......	69%
1935......	74%

In view of the above data it may be seen that during 1935 nearly three-fourths of the factory price of all the motor vehicles passing through the dealers' hands was supplied by the automobile finance companies and since this is an average of the dealers taken together, it is evident that some dealers borrowed even more than three-fourths of the factory price of their purchases.

It is probable that the greatest part of the funds received by the dealers from wholesale financing goes into new and used car "floor planning." The floor plan is an agreement under which the dealer is allowed to hold the cars in his show room, garage, or open lot for display purposes. The document binding the agreement varies with the laws of the several states which may prescribe the use of a trust receipt, a lease agreement, a conditional bill of sale, or a chattel mortgage. Legal title to the cars remains with the automobile finance company until payment by the dealer has been completed in all cases except when the chattel mortgage is used. Under this document, legal title passes to the dealer but he reconveys the title to the automobile finance company thus giving it a preferred lien on his stock.

The floor plan is a decided advantage to the dealer and has been an important factor in encouraging more dealers to use the automobile finance company. The plan allows him to absorb his own capital and earnings in his growing business by providing more floor space for showing and stocking cars, a larger supply of parts, better service facilities, and room for used cars taken in trade.

The automobile finance companies of today have an enviable position in modern business and are firmly established as sound business institutions. They are more carefully considering the needs of the individual consumer than ever before and the result is, increased automobile sales. This statement is substantiated by the new "No Fixed Payment Terms" plan initiated by the General Motors Acceptance Corporation. The plan is explained as follows:

> "Payments should be made to meet the circumstances and income of the individual purchaser. The down payment should be as large as possible to keep down financing costs to the instalment buyer—he should avoid any plan which doesn't disclose the exact costs of the various payment terms and he himself should select the most economical and practical plan which suits his individual requirements."

Other companies are introducing similar plans in order to develop a more favorable public attitude toward their own companies and consequently toward automobile finance companies in general.

Without the automobile finance company, the automobile industry would not have been able to weather the depressions of recent years nearly as well as it has. The automobile industry is foremost in leading us out of the present depression and its leadership is due to the existence of automobile finance companies. The situation of former years disclosed that the automobile financing business was dependent upon the automobile industry; the situation of today is such that the automobile industry is more and more depending upon the automobile finance companies for its continuity and growth. The automobile manufacturer's outlets are the dealers who, in turn, must sell the manufacturer's products to as many consumers as possible. By financing the consumers and dealers, the automobile finance company directly influences the production of automobiles.

What a creditor!

Silver City, N. M.—E. C. White, World War veteran at Central, near here, inserted this advertisement in a weekly Silver City newspaper: "Notice—To all my creditors: The bonus will be paid next week. If I have overlooked any one whom I owe, please send statement and account will be paid at once."

Glass labor

Contractual relations between workers and employers in the glass industry have been on an industry-wide basis for more than half a century. Though these broad agreements were gained originally when the industry was one of highly skilled craftsmen, the unions have been able to maintain them even though craft distinctions in the manufacture of glass have largely disappeared.

Insurance digest

Air conditioning may hold fire hazard

Serious fire losses and perhaps deaths may be caused by lack of proper skill in installing and operating air conditioning or ventilating systems, it was declared by Curtis W. Pierce, vice-president of the Continental Insurance Company in "The Eastern Underwriter."

While heartily approving such systems as boons to health and comfort when correctly designed and handled, Mr. Pierce warned against their installation by other than fully experienced persons who have made the fullest study of their relation to the control or spread of possible fires.

"Their manifest desirability," he declared, "and their inevitable popularity should not be permitted to lead to careless design or installation. A great deal of fire control data already has been gathered—by costly experience."

Mr. Pierce cited disastrous fires from National Fire Protection Association records, showing the treacherous effect of badly designed or operated systems for ventilation or air-conditioning. In many cases terrible tragedy was narrowly missed, as blazes were carried, with the speed of wind, from their points of origin to other apparently safe parts of the building.

The use of combustible materials for sound-deadening was especially condemned as a dangerous practice. A New York theatre and a Los Angeles office building were among the structures badly damaged as a result of this error.

Fire hazards may be present, it was emphasized, not only in the badly built air-conditioning system, but also in the old-fashioned ventilating systems, such as have been used for many years in public school buildings.

A network of ducts or pipes branching all through the building may defeat the effect of fire-walls, intended to control the incipient blaze and confine it to the spot of its origin. By the very nature of such ducts, they may enable the flames to create draughts and race throughout a building with incredible speed. Flammable material inside the ducts, or in contact with metal exteriors, multiplies the danger.

In several cases entire buildings were ablaze within a few moments after it was discovered that a really serious fire had broken out.

A few years ago a school at Harrah, Oklahoma, was emptied of pupils in a little over a minute after the alarm was given. Yet the last of the children to leave the building reported that the smoke was already choking, and the floors were hot. The fire had started in the basement, and spread through the hot air ducts.

Loss leaders

"Efforts to prohibit selling below cost by legislation, as a solution of the "loss leader" problem, have been directed recently in the main to State legislatures. It has been recognized, however, that State legislation alone would not suffice, because it would not apply to transactions across State lines. On the other hand, the constitutionality of a Federal enactment of this kind has been regarded as doubtful by many," the New York Journal of Commerce declares.

"For this reason, the Supreme Court decision in the Guffey act case has been scanned with special interest in the food trade. It will be remembered that not only the three justices who filed the

minority opinion but Chief Justice Hughes as well in a separate opinion held price fixing to be an inherent aspect of the power granted to Congress in the Federal Constitution to regulate interstate and foreign commerce. Accordingly, the view is now held by competent legal observers that a properly drawn measure to prohibit selling below cost in interstate commerce could survive a Supreme Court test.

"The National Food and Grocery Conference, which represents a number of trade associations in the grocery manufacturing and distribution fields, is now planning to test this issue through the passage of a Federal law that would prohibit "loss leader" selling. Present plans provide, however, that the proposed measure require a mandatory minimum markup for retail distributors and some regulation of wholesalers' selling prices. Passage of such a measure by Congress would be followed by a drive for uniform State laws applicable to intrastate transactions.

"Majority opinion in the grocery industry doubtless regards below-cost selling as wasteful and uneconomic, as well as injurious to consumers and a bar to rational buying by individuals. In any event, it would be helpful to enact a Federal law that would prohibit below-cost selling in order to test once and for all the ability of Congress under the Constitution to take such a step. However, the experiment should not be complicated by the inclusion of rigid minimum markups or other provisions that would revive the less fortunate phases of the N.R.A."

Field warehousing

(*Cont. from p. 24*) "as good as gold."

Several years ago, J. Harry Tregoe headed a nation-wide campaign for more extensive use of the trade acceptance as a credit instrument. I recall that he stressed the importance of liquidity of such instruments. Mr. Tregoe's theory was that every credit transaction should be absolutely limited as to terms and should bear current interest when not paid on the date agreed upon. He thought the trade acceptance was the instrument to assure such conditions. We credit men know from experience that trade acceptances have been found to be limited in scope and that the actual liquidity of each trade acceptance depends upon the situation of the maker of such an instrument and in cases where trade acceptance had been sold to banks, upon the ability of the discounter to take up the trade acceptance if not paid by the maker.

Warehouse receipts on the other hand have a definite foundation of value which is recognized as having a more or less cash value. (We have been led to qualify every estimate of value, even that of gold during these past few months.) So I recommend that credit men and financial officers acquaint themselves with the possibilities of these rather new forms of credit instruments.

If you want an analysis of some of the more important measures passed by the recent Congress which will be of interest to you in your business activity, we suggest that you turn to the new feature, "CAPITAL LETTERS," which was recently inaugurated. This month Mr. Baldwin, its conductor, features a presentation of the outstanding items of interest in the legislation affecting business passed by the 74th Congress. Next month he will present a summary of the bankruptcy situation as it stood when Congress adjourned. Page 30 carries this month's letter from Washington.

First in, first out

by M. E. Peloubet, Chmn., Inventory Methods Comm., N. Y. Society of C. P. A.

If it is true that in those industries requiring the maintenance of a fixed minimum normal stock such stock is in the nature of a fixed asset, that is, that it cannot be sold or disposed of until the enterprise is liquidated, it necessarily follows that any profit shown by writing this stock up to an amount in excess of its original cost price gives rise to a fictitious profit and shows an amount and ratio of current assets which are both overstated.

It is quite possible for a company producing or dealing in a basic raw material where a minimum stock must be kept in process at all times to show continuous profits over a period of years on the first-in, first-out method of valuing inventory, when in fact no profits or very small ones have been earned.

If a company began operations with an inventory of 100,000 units at 10c per unit, purchased 500,000 units in a year at 12c per unit and sold them at 13c per unit, the profit would be 1c per unit or $5,000 under the normal stock method and the original inventory would be valued at its original cost, that is, $10,000. However, on the first-in, first-out basis an inventory consisting of 10,000 units would be valued at the end of the year at 12c per unit and a totally fictitious profit of $2,000 additional would be indicated as the following table shows:

If the company had $3,000 cash at the beginning of the year and paid out dividends on the basis of normal stocks $5,000, the profit realized in cash would be paid out and the original cash would not be depleted. If, however, the company attempted to pay out in cash the profits as shown on the first-in, first-out basis, the cash would be depleted to the extent of $2,000 and the actual inventory which the company owned would be exactly the same. Another year of similar operations would wipe out the company's cash entirely and force it to borrow to pay dividends from the fictitious profits shown as earned by the first-in, first-out method.

Credit men should be interested in urging the use of the normal stock or similar methods of inventory valuation where these apply, first, because under such a method income is correctely stated and inventories are not inflated, and second, because if profits were determined under the first-in, first-out method the high taxes imposed by the proposed Revenue Act would seriously weaken the financial position of the company, as it would be paying taxes on profits which did not exist or, worse, if some punitive tax were imposed with the object of forcing the payment of dividends, the company would be forced to borrow in order to distribute as dividends the fictitious income shown by the first-in, first-out method.

Under Normal Stock Method	*Units*	*Price*	*Amount*
Sales	500,000	13c	$65,000
Cost of Sales	500,000	12c	60,000
Profit			$5,000
Cost of Sales:			
Inventory at beginning ...	100,000	10c	$10,000
Purchases .	500,000	12c	60,000
	600,000		70,000
Inventory at end..	100,000	10c	10,000
As above.	500,000	12c	$60,000

Under First-in, First-out	*Units*	*Price*	*Amount*
Sales	500,000	13c	$65,000
Cost of Sales	500,000		58,000
Profit			$7,000
Cost of Sales:			
Inventory at beginning ...	100,000	10c	$10,000
Purchases .	500,000	12c	60,000
	600,000		70,000
Inventory at end..	100,000	12c	12,000
As above	500,000		$58,000

Endorsed

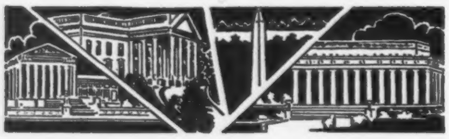
"Please endorse the cheque, madam," said the teller.

"Why, but my husband just gave it to me," she replied.

"Yes, madam, but sign your name on the back so your husband will know we paid you."

A few moments later she handed the teller the cheque endorsed: "Your loving wife, Ethel. XXX."

CAPITAL LETTERS



Being a monthly letter about items of special interest to you as a credit executive, from the nation's capital, by the Manager of the N. A. C. M.'s Washington Service Bureau.

Dear Reader:

Two minutes before midnight on Saturday, June 20th, brought an end to the second session of the SEVENTY-FOURTH CONGRESS, a session marked by pre-election political skirmishing, much emergency legislation repair work and the introduction of an unusually large number of bills.

Much of the session was devoted to the enactment or attempted enactment of new laws to replace those invalidated by the Supreme Court. In addition, however, Congress had time to pass a record-time total of appropriations—more than $9,700,000,000—adopt a new tax philosophy which embodies both revenue-producing and business-control objectives and enact several laws which extend further the trend of government regulation of business.

Among the latter laws: a law extending Federal regulation to commodity exchanges through a new Commodity Exchange Commission; a law requiring registration of brokers and dealers engaging in over-the-counter securities trading; the Robinson-Patman amendment to the Clayton anti-trust law designed to prohibit "price discrimination" through quantity buying and other methods and, the Walsh-Healey Act prescribing hours of work and wage requirements for contractors with the government.

A description of many of the most important laws passed during the session will not be attempted here as they have already been widely publicized. An analysis, however, will be made below of several laws which seem to be most important to members of the National Association of Credit Men. Because of space limitations, only a brief description of these laws can be given here but the writer will be glad to answer questions regarding them which he receives from Association members.

Laws of general business interest include the following:

Walsh-Healey Act—Probably one of the most significant laws passed during the session, not only in its direct affect but in its implications, is this law imposing certain requirements on contractors with the government. Among other things the law requires:

(a) that all persons employed by the contractor in the manufacture or furnishing of the materials, supplies, articles or equipment used in the performance of the contract, must be paid without, subsequent deduction or rebate on any account, not less than the minimum wages as determined by the Secretary of Labor to be the prevailing minimum wages for persons employed on similar work or in the particular or similar industries or groups of industries currently operating in the locality in which the materials, supplies, articles or equipment are to be manufactured or furnished.

(b) that no person employed by the contractor in such manufacture or furnishing, shall be permitted to work in excess of eight hours in any one day or forty hours in any one week.

(c) that no person under eighteen years of age and no convict labor will be employed in such manufacture or labor or furnishing.

The law provides extensive penalties for any violation of its provisions. It empowers the Secretary of Labor or a designated representative to hold hearings and issue orders in connection with alleged violation of the law, and to make certain exceptions to the law when necessary. It authorizes the Comptroller General to distribute a list containing the names of violators of the law which shall receive no further government contracts for a period of three years after the violation unless the Secretary of Labor otherwise recommends.

The law requires that its provisions shall be included in any contract made by any agency of the United States Government.

Robinson-Patman "Price Discrimination" Law.—The basic purpose of this important law is well described in the first sentence of its Second Section: "Sec. 2. (a) That it shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities of like grade and quality, where either or any of the purchases involved in such discrimination are in commerce, where such commodities are sold for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, and where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy, or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them."

The law provides for the "granting of differentials which make only due allowance for differences in the cost of, manufacture, sale or delivery resulting from the different methods or quantities in which commodities are sold or delivered"; and for making "price changes from time to time where in response to changing conditions affecting the market for or the marketability of the goods concerned, such as but not limited to actual or imminent deterioration of perishable goods, obsolescence of seasonal goods, distress sales under court process, or sales in good faith in discontinuance of business in the goods

concerned."

It prohibits the payment or acceptance of a commission, brokerage, or other compensation, or any allowance or discount in lieu thereof, except for services rendered in connection with the sale or purchase of goods, wares, or merchandise, either to the other party to such transaction or to an agency, representative, or other intermediary therein where such intermediary is acting in fact for or in behalf, or is subject to the direct or indirect control, of any party to such transaction other than the person by whom such compensation is so granted or paid.

It prohibits the payment to customers of any compensation for services or facilities furnished by or through the customer in connection with the processing, handling, sale, or offering for sale of products unless such compensation is available on proportionally equal terms to all other customers competing in the distribution of such products.

It prohibits discrimination in favor of one purchaser against another through contracts to furnish or contribute to the furnishing of services or facilities connected with the processing, handling, sale, or offering for sale upon terms not accorded to all customers on proportionally equal terms.

It prohibits the granting of any discount, rebate, allowance, or advertising charge to a customer over and above any discount, rebate or allowance, or advertising service charge available at the time of such transaction to competitors in respect to the sale of goods of like grade, quality and quantity. It further prohibits the sale of goods in any part of the United States at prices lower than those charged elsewhere in the United States for the purpose of destroying competition.

It gives the Federal Trade Commission broad authority to investigate and hear all charges of violation of the law and places the burden of proof upon the alleged violator.

Revenue Act of 1936 (Processing Tax Refund Provisions).—As expected Section 601 of Title IV of the Revenue Act of 1936 provides for the payment by the Treasury Department of refunds of the amount of the price of floor stocks represented by processing taxes.

Members who are able to take advantage of these refund provisions will, of course, wish to study the actual wording of the Act carefully. Too much space would be required to quote the Act in full in this article but it will be of interest to members to learn that the writer has been informed by the Bureau of Internal Revenue that the action of Congress now makes it possible to commence consideration of the claims for refunds which have been received. The Bureau of Internal Revenue hopes to promulgate as soon as possible regulations governing the filing and payment of claims which will be distributed to Collectors of Internal Revenue throughout the country.

Act Providing Relief for Government Contractors.—The Citron Bill (H. R. 7293) to provide relief for government contractors whose costs of performance were increased as a result of compliance with the National Industrial Recovery Act, finally passed during the latter days of the session. It is hoped that this law will eliminate the difficulties which have been experienced by claimants who endeavored to take advantage of the former Act of June 16, 1934, which had a similar objective.

As I stated in the early portion of this letter, I will be glad to supply information concerning the bills mentioned above to any Association members writing me in Washington. Next month in this column I will present a round-up of the bankruptcy situation as it was at the close of the recent session of Congress.

Very truly yours,
Charles F. Baldwin.

Undistributed profits tax

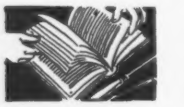
(*Continued from page* 10)

rates are 15% and 25% on undistributed current profits. (Under the 1935 Act the rates were 25% and 35%.)

With all roads cleared for distributions to stockholders, credit men may well ask where the creditors come off. This pointed question is very natural, especially considering that the tax statute even rides roughshod over the State corporate laws, and tells corporations that though they have accumulated deficits, they have the alternative of either paying dividends or paying the undistributed profits tax. The line *was* drawn at corporations in bankruptcy or corporations that are both insolvent and in receivership. Such corporations are exempt from the tax. The general run of all others, however, no matter what their position or condition may be, are liable for the tax.

There are two possible ameliorating factors, though neither may supply complete balm to the quizzical creditor. In the first place, (*Cont. on page* 33)

Paging



books

Floods and dust storms

DESERTS ON THE MARCH. By Paul B. Sears. Simon & Schuster, N. Y., also University of Oklahoma Press, Norman, Okla., $2.50.

Within the compass of a few early Spring weeks this year the nation was witness to simultaneous natural disasters—floods east of the Mississippi and dust storms west of that river. And last month, Texas floods came at the same time as a mid-West drought. Such contrasting phenomena may puzzle us, but not after reading the lively new book by Dr. Sears, head of the Botany Department at the University of Oklahoma.

The author presents no pedantic panorama of how we and nature are at odds. Rather, it is a penetrating, decidedly readable account that points a moral which will interest anyone interested in the welfare of our nation.

Tracing back our troubles to causes similar to those which caused a decline of the land, centuries ago, in India, China, Europe, Mr. Sears brings us then to our own problems. He reviews the policies of indiscriminate land grants to almost anyone during our expanding years, how the nation was stripped of its valuable heritage of soil fertility when the forests were leveled and the grass lands plowed. This analysis is followed by the development of a plan which we should adopt if we are to see our way to some measure of success in battling the deserts on the march.

When the streams run clear we will know we have won the fight but until the brown waters again have their deep blue color, the fight must go on. We have today many challenges but one of the most formidable and fundamental is that of soil conservation.

P. H.

On the way to social security

SOCIAL SECURITY IN THE UNITED STATES. By Paul H. Douglas. Whittlesey House, New York, $2.50.

TOWARD SOCIAL SECURITY. By Eveline M. Burns. Whittlesey House, New York, $2.00.

These two books are not general treatises on social insurance; they deal specifically with the Federal Social Security Act which President Roosevelt signed on August 18, 1935.

Of the authors, Dr. Douglas is a professor of economics in the University of Chicago, and one of the best known advocates of social insurance legislation in this country. Dr. Burns became an authority on this subject in her native England; at present she is a lecturer on economics at Columbia University. Both authors participated actively in the work of the Committee on Economic Security which was appointed by President Roosevelt in the summer of 1934 to study the entire question of social insurance, with the request that it bring a definite program before Congress in January, 1935.

In his book, Prof. Douglas devotes 125 of its 384 pages to a very complete description of the background of this act: how the tide turned from opposition to the so-called "dole" system to an active demand for some form of social insurance; an informative account of the deliberations of the Committee on Economic Security; and then a very detailed legislative history of the act, from the time it was introduced in Congress to the time it was signed by the president.

But his main task is an analysis and an appraisal of the act itself, as it now stands in the federal statute books. This analysis is very detailed and clear; and the appraisal is based on his position as an advocate of genuine social insurance. As such, Prof. Douglas is not at all satisfied with the act, for it falls far short of what he had expected. It is for this reason that he proposes a number of changes, and outlines some needed next steps.

Dr. Burns' attitude towards the act is indicated by the title of her book: *Toward* Social Security. She is much more critical of what has been accomplished than Prof. Douglas. Her book is much more compact, and very well arranged in its structure. She examines the act from the point of view of what it does to improve the security of the aged, the unemployed, the sick, and those who lose their breadwinner. In all these cases, she answers the questions: What type of security does this act provide? Who gets it? Who pays for it?

Neither one of these books will help the employers of the 57% of the gainfully employed persons in the United States, who are covered by this act, to fill out the forms for the payment of the payroll tax that the act calls for. All those who read them, however, will see this, the most important piece of legislation that has been placed on our statute books, as some claim, discussed from the point of view of socially responsible and progressive persons, who make a very good case for their position. —E. G. P.

Selling by mail

SUCCESSFUL DIRECT-MAIL METHODS. By John K. Crippen. McGraw-Hill Book Company, New York City. $3.50.

Business executives who have to do with selling methods will find this book quite an important addition to their business or working library. It is one of those "How-to-do" books written by a man of long experience in the rather intricate field of direct mail publicity. In his opening chapter the author gives an interesting thesis on the "Three F's" of business announcements, which credit executives as well as those charged with selling will find instructive. Mr. Crippen makes the point that every business communication must have a friendly style, a forceful presentation and a favorable proposal.

Author Crippen divides his book into three parts. The first deals with the letter or announcement. In this

section he deals with such features as are usually met in mailing campaigns. Part two is devoted to what the author terms "accessories" of the mailing campaign. These include reply cards, enclosures, broadsides, and penny-post card campaigns. The third part of his book deals with the mechanics of a mail campaign—preparing the mailing list, test mailings, suggestions as to postage, etc.

R. G. T.

Idle money

(*Cont. from page* 5) At this moment, however, it is being violated by all of us because of the scarcity of desirable commercial loans.

We are prone to wonder what our lending policy will be in the future. At this moment we are crowded away from the opportunity of extending certain legitimate credit and are being forced toward the opportunity of Government credit. The time was opportune for the Government to enter the credit field a few years ago but now the time has arrived for certain streams of credit to be directed into the natural commercial channels. Bankers as a class have always been cowardly when it came to defending their professional rights. Is it not time to show some resistance in our fields of operation?

Interest rates always command attention in a lending policy. They should be somewhat controlled by an analysis of bank costs, but are generally based on the supply of money and the demand for loans. An old saying that high rates and safety do not always go together is almost axiomatic. An inspection of the notes in many of our banks in receivership will reveal that the notes showing the greatest losses were those bearing the highest rate of interest. Let us not forget that very often the loans or investments commanding a high rate of returns carry their own red flag of warning.

The rates we are now receiving are unreasonably low and will not support the conservative operation of our banks. This will eventually be corrected; meanwhile, we are adjusting ourselves to low competitive rates and supplying the deficit in earnings with service charges and in a reduction of interest paid on time and savings deposits.

In times past bankers were competitive bidders for deposits. Free service and high rates were offered as their inducement. Today bankers are competitive bidders for loans and are offering low rates of interest as their inducement. Both of these situations are foolish from an earning standpoint and clearly show the need of a sound policy that will cease lending money at starvation rates.

Because of their bearing on a sound lending policy I want to quote six recommendations of the Committee on Credit Practices of the Association of Reserve City Bankers which were adopted January 10, 1935, as follows:

"1. A duty of a banking institution to its depositors as well as stockholders is to lend no money at less than cost. This principle is uniformly recognized in the practice of charging a minimum of one and one-half per cent for Bankers' acceptances. THIS CHARGE IS REIMBURSEMENT FOR THE COST OF ASSUMING THE CREDIT RISK. Commercial loans involve the same and more frequently a greater degree of credit risk. They are less self-liquidating and average longer maturities. Therefore, it is recommended that no institution should make commercial loans at a rate less than the sum of the cost of executing a Bankers' acceptance (1-½%) and the market selling rate for such acceptances, (currently 3/16%) or a total of not less than 1 11/16% in the present market.

"2. All lines of credit and open market paper bought should be based upon an audited statement of the corporation or firm desiring such loans.

"3. That firms and corporations selling paper in the open market should have current borrowings from their line of credit banks in excess of the amount sold in the open market at all times.

"4. That Banks in purchasing commercial paper shall require from the broker a statement of the total debt of the firm or corporation showing how much is open market and how much is borrowed from banks.

"5. That firms and corporations shall have lines of credit open and available to cover all paper sold on the open market.

"6. The sound banking practice requires for the protection of the borrower that banks do not buy paper of firms or corporations whose net worth does not justify recourse to this method of financing."

Each of these recommendations are worthy of study when forming our lending policy.

Undistributed profits tax

(*Cont. from p.* 31) contracts entered into before May 1, 1936, expressly requiring in writing a corporation to use profits for the discharge of debt incurred before May 1, 1936, or restricting a corporation in the declaration of dividends, are not only to be respected by the corporation but will also gain the deference of the tax authorities. More concretely, to the extent of such restrictions, a corporation is entitled to a deduction from the amount otherwise subject to the undistributed profits tax. Accordingly, agreements to set aside sinking funds out of profits, or not to pay dividends unless certain asset ratios exist, may relieve the dividend pressure and the credit man's anxiety.

The second and more hopeful "out" is the fact that dividends need not be paid in cash. They can be distributed in kind, in script, in long-term obligations, or in stock or stock rights (provided that as to stock and stock rights they are of a character such as to constitute taxable dividends to the stockholders). Insofar as the dividends are paid in stock or stock rights, the creditors may not be adversely affected. As a matter of fact, stock rights will bring new money *into* the corporation instead of taking old money out. Furthermore, in the close corporation, it may not be a difficult matter to perfect arrangements and procedure with stockholders, whereby dividends, even if paid in cash, will be promptly reinvested in the business. The government is not likely to regard such arrangements disapprovingly as long as they are made in good faith and the stockholders pick up the dividends in their returns.

In the case of the personal holding company tax and the tax on unreasonable accumulations of surplus, the law goes further and says that without entering into the formality of declaring dividends and then plowing them back into the corporation, those taxes can be completely eliminated if, instead, the stockholders (provided that not more than 10% of the stock is owned by corporations) report as dividends in their personal returns their pro-rata share of the corporate income. A similar provision for the undistributed profits tax might have considerably eased the physical or procedural problem—at least for the smaller corporations. For some reason or other, the provision was not incorporated in the undistributed profits tax structure, but its practical equivalent can be secured through the dividend procedures that the law does sanction.

In any event, we seem likely to be entering into a new, tax-sponsored, era in credit relationships, where the credit grantor may now find it necessary to assume a somewhat paternalistic attitude about matters that heretofore have on the whole pretty well glided along on a laissez-faire basis, namely, the dividend policy of corporate debtors. It will be interesting indeed to observe the repercussions, if any, of the new line-up.

Court decisions

BANKRUPTCY.—Foreclosure instituted prior to filing of petition not stayed by bankruptcy of mortgagor. The facts are contained in the opinion of the Court, which follows Ford v. Mutual Benefit Life Ins. Co., C.C.A., 8th C., Mo., Mar. 13, 1936.

WOODROUGH, C. J.—On July 2, 1934, mortgage creditor of the bankrupt filed suit to foreclose. The bankruptcy petition was filed and the adjudication entered on September 8, 1934. The bankrupt on the same day filed answer in the foreclosure suit setting up the proceedings in the bankruptcy court and praying that the foreclosure be suspended and that the mortgagee be required to prove its claim in the bankruptcy court. On January 10, 1935, decree of foreclosure was entered and after sale, the bankrupt objected to confirmation on the ground that the court was without jurisdiction to enter the foreclosure decree by reason of the prior adjudication in bankruptcy. The bankrupt contends that after the bankruptcy court acquired purisdiction, the District Court was without jurisdiction in equity to decree foreclosure or sale of mortgaged property without the consent of the bankruptcy court. All of these contentions have been settled adversely to the bankrupt by the Supreme Court's decision in *Straton v.* New, 283 U. S. 318. The deed of trust was a valid lien upon the bankrupt's property created years before the foreclosure suit. Inasmuch as the foreclosure suit was brought before bankruptcy was applied for, the bankruptcy court was without jurisdiction to enjoin it.

CRAINE, INC. v. EMMONS E. ANDERSON, 246 App. Div. 102. Banks and Banking:—Collections.—Agency of Bank.

Plaintiff brought an action to recover from the defendant the price of a silo sold by the plaintiff to the defendant under a conditional sales agreement, entered into between them. The terms of the agreement contained the following clauses: "Net cash on arrival. Shipment will be made on order bill of lading with either sight draft or settlement papers attached. Send papers to Conewango Valley National Bank; address Conewango Valley, New York."

At the time that the silo was shipped the defendant was advised of the terms of the order in a letter, and that the plaintiffs were forwarding an endorsed bill of lading with sight draft attached to the above-mentioned bank and that the bank would hold the sight draft until payment was made by the defendant. Pursuant to the instructions contained in the letter, defendant went to the bank where he had and continued to keep on deposit more than sufficient money to pay the amount of the draft, and drew a check thereon, payable to the bank for the amount of the draft. The bank thereupon stamped the draft as paid, and delivered it with the bill of lading to the defendant, who thereafter received the silo. The bank, however, after receiving defendant's check, did not charge it upon the books to his account, nor did the bank in any manner remit or attempt to remit the amount of the draft to the plaintiff. Shortly thereafter a receiver of the bank was appointed, and the plaintiff who had not received the money from the bank thereupon instituted this action.

The Court stated: "Beyond question, the instructions to the bank were given by plaintiff in connection with and in furtherance of plaintiff's business, which is but another way of saying that the bank was acting by command of plaintiff in connection with and in furtherance of plaintiff's business; therefore, the bank was acting as plaintiff's agent."

"Section 147 of the Negotiable Instruments Law declares that 'Where the instrument is made payable at a bank, it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon.'

"It follows that the transaction between the bank and defendant constituted payment of the draft, and the bank, as plaintiff's agent, having received defendant's check as payment, the plaintiff is bound thereby; hence the claim sued upon herein has been paid and discharged. (Baldwin's Bank v. Smith, 215 N. Y. 76.) (See also Heinrich v. First National Bank, 219 N. Y. 1; Davison Coal Co., Inc., v. National Park Bank, 201 App. Div. 309; Jones v. Board of Education, Town of Pelham 242 id. 17.)"

Efficient

Employer (to newly-hired typist)—"Now I hope you thoroughly understand the importance of punctuation?"

Stenographer—"Oh, yes, indeed. I always get to work on time."

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Get a Member in August

AUGUST, 1936

Save on Losses With Interchange

Credit Women Now Active in Twenty Locals

National Chairman Tells of Progress During Past Year

The annual report of Miss Mabel S. Wilke, Chairman of the Credit Women's Executive Committee, presented at the Richmond Convention, set forth some very interesting items about the operation of this group during the past year. Miss Wilke in presenting her report made the following recommendations:

First—That a plan be drafted and adopted under which all Credit Women's Groups can function uniformly with a common object and a common goal.

Second—That close contacts continue between the active Credit Women's Clubs in interchange of publications and communications.

Third—That periodical contacts be made with Secretaries of cities having enough women members to warrant the organization of Credit Women's Clubs.

Fourth—That the history of "The Activities of the Credit Women of the National Association of Credit Men" started in 1935 by the Pittsburgh Credit Women's Club, be brought up-to-date.

Fifth—That after the annual election of each club an up-to-date list of officers and committees be sent to the National Headquarters Office to assist them in keeping their records current.

Sixth—That active Credit Women's Clubs arrange in some way to have at least one of their members attend the annual convention each year.

It is also brought out in this report that twenty associations now have active women's groups and that fifty-two associations report a total active credit women's membership of 728. It was also brought out that in addition to the twenty associations

(Continued on Page 37)

W. C. Rodgers Retires After 28 Yr. Service

Announcement was made early in July of the retirement of W. C. Rodgers as Managing Director of the Northwestern Jobbers Bureau of St. Paul, Minn. He has served the wholesale interests in the Northwestern business area for the past twenty-eight and one-half years in that capacity.

In making announcement of Mr. Rodgers' retirement, National Executive Manager Heimann sent the following notification to the Presidents and Secretary-Managers:

"Those of us who have known 'Rodge' have a full sense of appreciation of the fine type of service he rendered; of his very fine character and his great personal charm. Twenty-eight and one-half years of loyal service certainly should entitle 'Rodge' to more leisure time in the years ahead. He has fully earned it. The National organization, and I am sure every local manager, wishes 'Rodge' a long happy life and we hope that now that the

(Continued on Page 38)

Guy C. Harris is Dead at Lincoln

Lincoln, Nebr.—Guy C. Harris, for the past six years Secretary of the Lincoln Credit Men's Association, died in Lincoln late in June. He had been connected with the Schwarz Paper Company for the past 27 years. He was also an official of the Travelers Protective Association. Mr. Harris had been in poor health for several years.

Through his work with the Schwarz Paper Company Mr. Harris became interested in the operation of the National Association of Credit Men a number of years ago and has been a leading spirit in promoting the work of that association in the Mid-Nebraska area. The death of Mr. Harris will be deeply felt in business circles in this area.

Executive Managers Report on Year's Work

Henry H. Heimann Reviews Activities of N.A.C.M. During Year 1935-36 in Report at Richmond

It is a satisfaction to be able to report progress in all phases of Association activities during the past year. While it is pleasing to be able to report such progress, this by no means indicates a self-satisfied complacence. The progress made, while substantial, should serve merely as an indication to us of the possibilities for much greater development in the future and as an incentive toward achieving that result. Because I believe that it is more important to plan for the future than it is to review in detail past achievements, I shall make the historical part of this report brief and give over the latter and major part of it to a presentation of plans for future development.

In common with other membership organizations the trend of membership in the Association has been downward for a period of years. During the past year this trend has been reversed in our organization and we are able to report a net increase in membership for the fiscal year of 502. The percentage of our Associations reporting an increase in membership is 51.3. Those which held even as compared with the figures of one year ago number 14.3%. There was a decrease in the membership of 34.4% of local Associations. Approximately two-thirds of our Associations, therefore, either had an increase in membership or held their own. It is pleasing to note that this increase was not confined to any one section of the country or to any one of the five groups of Associations classified on the basis of the size of the membership.

While it is gratifying to have this reversed trend in membership I do not regard the showing made as in any sense completely satisfactory and shall be disappointed if the increase for the present year is not larger. One of the significant things in our membership figures is the fact that in order to have a net gain of 502 it was necessary to add 2,543 new members. This indicates that our resignations for the year amounted to 2,041.

While a great many of these resignations were unavoidable, due to business casualties and other causes over which we have no control, I believe that others of them might well be classified as preventable resignations. It should be apparent, therefore, that in outlining our membership programs for the year, we should not overlook the giving of special attention to the retention of present members while at the same time working diligently toward the securing of new members.

Credit Interchange Service is making marked progress under the program inaugurated for it by the National Credit Methods and Practices Committee.

The year has shown an increase in membership. The demand for the Service has enlarged, particularly during recent months. A series of surveys and inventories on each phase of the activity has assisted in disclosing defects and difficulties in operation, and the consequent follow-up on these weaknesses by management has resulted in greater speed, accuracy, and efficiency of service.

The National Committee members have studied problems of Credit Interchange with care. They have proceeded carefully in the organization of their program. That program,

(Continued on Page 39)

(1) Indiana Dinner at Richmond Convention. National Director Hamerin's feet shown under table, lower right. (2) Breakfast session of Credit Women's Executive Committee. (3) National Director Mc Brien, Minneapolis, halts a conversation for the camera man. (4) A quartette of Credit Women. (5) A New York group faces the camera.

New Officer Now in Charge in Many Locals

Late in May, June and July, many of the associations affiliated in the National Association of Credit Men held their annual election. For the information of officers and members of NACM, we herewith present a report on some of these elections not already mentioned in previous issues:

The Muskegon Chapter, operating under the supervision of the Grand Rapids Association of Credit Men, has elected the following staff for the ensuing year:

President, R. D. Mange, Assistant Vice-President of Hackley Union National Bank; First Vice-President, N. Buining, Comptroller, Old Dutch Refining Company; Second Vice-President, W. E. Fohlbrook, Credit Manager, Muskegon Reliable Tire & Accessory Co.; Secretary-Treasurer, George E. Osterhouse, Treasurer of Browne Morse Company; Directors: Gus H. Dietrich, Joseph H. Horness, Miss Grace Jacobs.

The Rochester Association of Credit Men held its election recently with the new staff of officers taking charge on July 1st as follows:

President, William H. Ewell, of Rochester Lead Works; First Vice-President, Mr. Willis H. Daggs, Rochester Ribbon & Carbon Company; Second Vice-President, Mr. L. E. Phelps of P. W. Minor & Son; Treasurer, Walter H. Lapham of Weed & Company.

Directors: V. W. Lyon, H. L. Braunschweig, H. S. Johnston, R. B. Welch, William C. Hussey, Mercer Brugler, C. B. Ostrander, H. E. Andrews, John J. Gabrielse.

The Grand Rapids Association of Credit Men, at its annual meeting held at the Peninsular Club, attended by some 150 members, elected the following list of officers and directors for the ensuing year:

President, E. B. Newman of the National Brass Company; First Vice-President, Fred E. Olson of G. R. Gas Light Co.; Second Vice-President, C. H. Foote of Tanglefoot Company; Treasurer, Henry Verhoek of Old Kent Bank.

Directors: Elected for three years—R. W. Forwood, Fred Rudy, William Maurer; elected for one year—R. E. N. Arver; carried over, term not yet expired — C. S. MacDonald, George E. Smith, Harry Joling, A. F. Zoellner, George Erhardt, C. F. Anderson.

The Rhode Island Association of Credit Men has named the following staff of officers for the new year:

President, Camilo Rodriguez, Davol Rubber Company; First Vice-President, Clarence H. Rison, Grinnell Company, Inc.; Second Vice-President, Charles G. Pixley, Newell Coal & Lumber Company; Secretary, E. William Lane, American Screw Company, and Treasurer, Charles W. B. Fisher, of the Sun Oil Company. Members of the Executive Committee were elected as follows: Howard S. Almy, Collyer Insulated Wire Company; Benjamin Brown, W. E. Barrett Company, and Henry E. Davis. Henry T. Farrell was re-appointed Executive Secretary of the Association.

Credit Careers

William Lee Bean

William Lee Bean, Secretary-Treasurer of McCormick & Co., Inc., Baltimore, Md., has been in credit work for about thirty years.

Mr. Bean is not only widely known in Baltimore, but through his attendance at National Conventions has made friends in every section of the United States. The Richmond Convention is the twelfth consecutive one that he has attended, in company with his charming wife.

Over forty years ago, Mr. Bean started working for McCormick & Co., which at that time had been in existence for only a few years. He has been very instrumental in the success of the company, and has watched it grow to be the largest house of its kind in the world.

Mr. Bean has always been most active in the Baltimore Credit Men's Association. He has served two terms as President of this association, and is now on the advisory board. Fraternal organizations likewise engage his attention, and he is a member of the Masons and Knights of Pythias. At the present time, he is Grand Master of the Exchequer in the latter organization.

Completes 20 Yr Credit Service With Goodrich

Akron, O.—Ernest A. Doerschuk, general credit manager of The B. F. Goodrich Company, Akron, Ohio, has just completed 20 years of service with the organization. He was presented his 20-year service pin, together with about 120 others who have completed 20 years with the company since last December, at a ceremonial of the Twenty Year Service Club on June 27. President J. D. Tew made the presentations.

With the new class, the Twenty Year Service Club of the company has nearly 1500 members on its rolls, of which more than 1200 are on the active pay rolls of the company.

Cincinnati Outing

The Cincinnati Association held its annual summer outing on July 25th at White Villa, Ky. Special prizes were offered for attendants and also for various kinds of contests, such as baseball, rowing, swimming and musical stunts. Prizes for the occasion were donated by members of the Association.

Credit Women Now Active in Twenty Locals

(*Continued from Page 35*)

now having active women's groups, four other associations are contemplating organizing such groups in the near future.

Following out a suggestion made by Mrs. William H. Pouch at the Credit Women's Dinner at Pittsburgh in June 1935, a very attractive booklet has been prepared by the National Committee which is a permanent record of the names and affiliation of those who have had to do with establishing credit women's clubs in the twenty associations in the national circuit. This very interesting booklet which was put out under the supervision of the Chicago Credit Women's Club gives the history of the development of the women's groups in various associations, with the officers of each association during the several years of their operation.

Credit Women Clubs are now active in the following cities: Binghamton, Buffalo, Chicago, Cincinnati, Cleveland, Detroit, Grand Rapids, Kansas City, Los Angeles, Louisville, Minneapolis, New York, Philadelphia, Pittsburgh, Portland, Rochester, St. Louis, San Francisco, Seattle and Toledo.

C. H. McCall is Now Executive of Adv. Agency

An announcement which will be of interest to his many friends in the National Association of Credit Men was recently made relative to the appointment of Chester H. McCall as Executive Vice-President of the United States Advertising Corporation, with headquarters at 30 Rockefeller Plaza, New York City.

Mr. McCall resigned as Editor of Credit and Financial Management to accept the position as special assistant to Secretary of Commerce Roper in 1933. Mr. McCall took up his duties with the United States Advertising Corporation on July 1st and will be in active charge of a considerable portion of the agency's operation in the New York area from that date on.

$1,000 Prize Is Offered for Best Book on Ethics

A cash prize of $1,000 for the best manuscript of an unpublished book on business ethics will be awarded by the School of Commerce of Northwestern University, it was announced yesterday. The contest, sponsored by the William A. Vawter Foundation, will open immediately and close December 31, 1937.

To be eligible for consideration manuscripts must be concerned primarily with business ethics and must make a contribution to the knowledge or understanding of the subject. They may treat it from any of several points of view, such as that of the economist chiefly interested in principles or the business man confronted with particular problems, and may deal with general principles, with the problems of a specific trade or profession, or with particular forms of business practice, such as price policy, labor problems, or governmental relations. Though books to be eligible must not have been previously published, they may have been submitted in partial fulfillment of the requirements for an advanced degree at a college or university.

The judges will be members of the Vawter Foundation Committee, composed of members of the faculty of the School of Commerce at Northwestern. The competition will temporarily replace the series of lectures sponsored annually by the Foundation.

W. C. Rodgers Retires After 28 Year Service

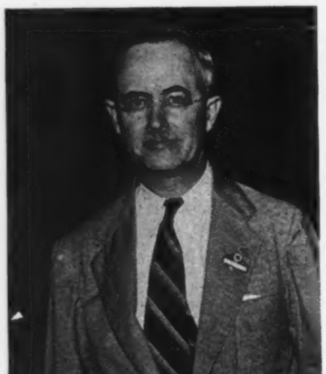
(*Continued from Page* 35)

burdens of management are off his shoulders we will see him and his smile even more frequently at our National Conventions and other meetings."

Mr. Rodgers has been succeeded by C. D. MacLaren, who has been associated with Mr. Rodgers for a long period of time. Mr. MacLaren is not a new-comer to the work and is very well known in the Northwestern business area.

The Northwestern Jobbers Credit Bureau serves both the St. Paul and Minneapolis Associations and covers a wide area in the Northwestern business section.

Credit Career



Lawrence J. Bradford

Lawrence J. Bradford, the newly elected Vice President of the Central Division, was born at Bradford, Ky., October 2, 1884. He moved to Cincinnati at a very early age and was educated in the Cincinnati Public Schools and the University of Cincinnati. He entered the accounting and credit department of The Lunkenheimer Co. in 1906. He was appointed Chief Accountant in 1915 and Credit Manager in 1916. Elected as Assistant Treasurer in 1919, he was elevated to the position of Treasurer and became a member of the Board of Directors in 1920.

Bradford and George J. Gruen, Past President of the N.A.C.M., attended their first convention at Pittsburgh in 1916, and both were elected board members of the Cincinnati Association in 1918.

Bradford has served four terms as President of the Cincinnati Association, 1922-1923, 1923-1924, 1932-1933 and 1933-1934. He was elected to the National Board of Directors at the convention at Pittsburgh in 1935.

He has also served on the Board of Directors of the Cincinnati Chamber of Commerce, and is a Past President of the Rotary Club of Cincinnati. He is also a Past President of the Westwood Civic Association, a community welfare organization in a Cincinnati suburb where he resides.

Bradford is an Episcopalian, a Scottish Rite Mason, a Shriner, a Rotarian, and a member of Sigma Alpha Epsilon.

He is married and has three children, Henry, Mary Belle, and Lawrence J., Jr.

Chicago A. C. M's Plan Big 2-Day Outing in Fall

Chicago, Ill.—The annual outing of the Chicago Association of Credit Men will be held at Crystal Lake, Ill., on September 26th and 27th. Present plans are being formulated to care for more than 500 members of the Chicago Association at the time of this two-day outing. There will be a golf tournament and also a big program of various sport contests during the two days. The Chicago Herd of Zebras has already started an intensive canvass of its membership so as to insure a 100% attendance of the boys with the striped caps at the big outing.

The Chicago Zebras have already started to organize for a grand entertainment for all Zebras attending the 1937 Convention. Superzeb Lee Schroeder has announced that the Chicago Herd will attempt to raise about $1,000 toward the entertainment of visiting Zebras during the Convention next June.

Secretary Jeff O'Keefe has laid down the law that the Chicago Convention must be the best yet.

DeLano Retires After 26 Years in L. A. Bureau

Los Angeles, Calif.—F. C. DeLano, for twenty-six years the Managing Executive of the Los Angeles Wholesalers' Board of Trade, in charge of the Interchange Bureau, is retiring and A. D. Johnson of the Los Angeles Wholesalers' Board of Trade is taking over his work.

The operations of the Los Angeles Wholesalers' Board of Trade have had a marked influence on a business transaction of the lower half of the great State of California and Mr. DeLano has been a prominent figure in all of these developments.

Boston.—The Boston Paint Credit Club received a visit recently from T. H. Kleine, William Rohs and William L. Lang, officers of the New York Paint and Allied Group. The occasion of the visit was to present an outline of the services, methods of operation and stabilities, established by the New York Paint and Allied Group through the New York Association of Credit Men.

'Pa' Perkins Is New Superzeb of Natl. ROZ.

A. H. D. (Pa) Perkins of Memphis, Tenn., is the Grand Exalted Superzeb of R.O.Z. for the ensuing year, having been elected to the highest office in the Zebra organization at the Richmond Convention. Other officers of R.O.Z. are: J. H. Frazier, Most Worshipful Divizeb, Pittsburgh, Pa.; Don C. Campbell, Most Worshipful Divizeb, Chicago, Ill.; F. W. Cates, Most Worshipful Divizeb, Los Angeles, Calif.; Brace Bennitt, Grand Zebratary, New York City; Owen S. Dibbern, Grand Zebratary, San Francisco, Calif.

Before turning the gavel over to the new Superzeb, Grand Exalted Superzeb Art Johnson reviewed the accomplishments of the R.O.Z. during the past year.

One of the subjects discussed at the Annual Roundup was the adoption of a lighter type of cap before the next annual Convention. It was suggested that the Secretary's office contact several manufacturers in order to have a new cap of material, lighter weight, with approximately the same design as the one now in use.

Already plans are in the making for installing several new Herds at various Associations during the Fall months. The activity of the R.O.Z. at the Richmond Convention was commented upon by many delegates and the prospects for an even larger showing of Zebra caps at the Chicago Convention next June is a very bright one at the present time.

Alpha Nu's Work for Big Fall Initiation

Los Angeles.—The Alpha Nu's, the women's organization corresponding to the Zebras in the Los Angeles Credit Men's Association, held its annual outing on July 13th at Glendale. After a bountiful dinner the members of the club adjourned to the Griffith Park Observatory, where they heard an instructive lecture on the moon and stars.

The Alpha Nu members are now at work on getting together a large class for initiation at the first Fall session.

Save Profits with Interchange

RESOLUTIONS

Adopted at 41st Annual Convention

BANKRUPTCY LEGISLATION

The National Association of Credit Men expresses its considered opinion that amendments to the bankruptcy act should not be attempted except after careful study of the act as a whole, by qualified experts, and after study of the law as interpreted by the courts and with due regards to its basic theory and purposes.

The painstaking work of the National Bankruptcy Conference in modernizing, clarifying and improving the substantive and proceedural features of the Act is endorsed by this Association as a scientific effort which should command the respect of Congress and of the business public.

We urge upon Congress the closest cooperation with the National Bankruptcy Conference and favorable action on the results of the Conference's work substantially embodied in the Chandler Bill HR 12889.

UNEMPLOYMENT CENSUS

At all times and especially during this reconstruction period our political, industrial and social life is in need of a survey or an analysis of our true unemployment situation in a form generally known as an Unemployment Census.

Several private and government agencies have undertaken to prepare such a census, with the result that none have been complete or entirely satisfactory.

There can be no appreciation of the seriousness of the unemployment situation until we know of its true extent, and very little headway can be made toward improvement until definite and accurate figures are available, both as to total, and classified as to trades, industries, agriculture and geographic locations.

An Unemployment Census would furnish both government, industry and labor with a true picture of the situation, and assist them in working out a proper and common solution, facilitating re-employment and recovery.

The Federal Government has better facilities for taking such a census and keeping it up to date, than does private agencies of industry or labor.

THEREFORE BE IT RESOLVED: That the National Association of Credit Men at their annual convention in Richmond, Va., on this the 12th day of June 1936, go on record as favoring the taking of an Unemployment Census immediately by one branch of the Federal Government, either the Department of Commerce or the Bureau of Census, making the information thus obtained available to all branches of the government, and to industry and labor as well.

NATURAL BUSINESS YEAR

RESOLVED: That the National Association of Credit Men hereby records its approval of the principle of the "Natural Business Year," i. e., that in the interest of efficiency and economy every business concern should adopt as its fiscal year the twelve-month period ending at that date when inventories and receivables are lowest and books and accounts may be closed with greatest convenience, marking completion of an annual cycle of operations.

CREDIT INTERCHANGE

WHEREAS, modern credit practice demands ledger experience information which discloses the buying and paying habits of a customer as an essential to the accurate appraisal of credit responsibility, and

WHEREAS, the National Association of Credit Men, through its Credit Interchange Bureau, has at all times assumed the leadership and responsibility of devising practical, efficient, and economical methods of exchanging this information, and

WHEREAS, this Association now announces its intention of further extending, improving, and expediting this exchange of information between creditors to the degree that Credit Interchange Service shall become a specialized credit service for credit executives.

NOW, THEREFORE, BE IT RESOLVED that this Convention of the National Association of Credit Men assembled in Richmond, Va., on June 9th, 1936, unqualifiedly approves and endorses the purposes of the Association as herein set forth, and records itself as prepared to lend its interest, effort, and support to those purposes, and

BE IT FURTHER RESOLVED that this Convention, being of the firm opinion that the best interests of the country, its business organizations, and the credit fraternity can best be served by a free, unrestricted, and in everywise unhampered exchange of ledger experience information between all creditors in all lines and all sections of the country, it, therefore, approves and endorses the recommendations made by its National Board of Directors at its meeting in Pittsburgh, Pa., on June 21, 1935, to the effect that all ledger experience information be deposited into one system, namely, our National Credit Interchange System in which every manufacturer, wholesaler, jobber, and financial institution interested in commercial credit is eligible for membership.

TREGOE ESSAY CONTEST

The representatives present at the Annual Convention of the National Association of Credit Men express sincere satisfaction in the impetus given to interest in credit education by the holding of the J. H. Tregoe Memorial Essay Competition. It is fitting that this contest should serve as a memorial to Mr. Tregoe, whose unsurpassed ability to inspire and whose undying interest in credit education have been well known to all of us. It is the hope of those present at this Convention that this memorial contest may be continued from year to year as a valuable part of our National Association program.

Annual Report On Progress in NACM Program

(*Continued from P.* 35)

as indicated, is showing results even though it is still in the formative stage in many respects. Since the first of the year, the National Committee has asked for the appointment of local Committees to assist in the development of its program. Its request has been met with ready acceptance by the local organizations. As a consequence, a strong, carefully organized body, nation-wide in its activities, is being brought in to assist in the further development of Credit Interchange Service.

The past year has not been an easy one for our Adjustment Bureaus since recovery in that type of activity does not, by its very nature, follow immediately upon general business recovery. However, an improvement has been shown in many Bureaus both in the amount of collection business and in the number of estates handled. There has also been an increase in rehabilitation cases which are handled in some Associations by the Adjustment Bureaus and in others by special departments. During the year the standards for National approval of local Bureaus were materially strengthened.

Our Adjustment Bureau Department continues to be challenged by certain representatives of the Bar who claim we are engaged in the unauthorized practice of law. We cannot believe that American industry will permit the destruction of its own organization which has not, does not intend, nor, in our opinion, ever practiced law. The very challenge constitutes an endorsement of our service.

FOREIGN DEPARTMENT

The past year has shown increased activity on the part of the Foreign Department of the National Association of Credit Men and of the Foreign Credit Interchange Bureau in serving those members of the Association who can make use of its various activities.

The Foreign Department has continued to cooperate with other foreign trade organizations throughout the country and with various divisions of the government interested in improving general export and import activities.

The Foreign Credit Interchange Bureau has shown a 15% gain in mem-

bership during the past year following the improved conditions in various world markets, which brought about a revival of our export business.

The various services that the Bureau renders to its members have been amplified and the Bureau's activities have expanded along several lines. Of primary interest has been the increased interest shown in the Round-Table Conferences on Foreign Credit, Collection and Exchange Problems which continued to meet a definite need.

The Foreign Department and Foreign Credit Interchange Bureau have continued to cooperate at various points with local foreign credit groups sponsored by the Association.

The Supervisory Committee of the Bureau has continued to be of exceptional help in promoting the interests of the Bureau and it looks forward to a continued response from the members of the Association engaged in foreign trade during the coming year.

WASHINGTON SERVICE BUREAU

The work of the Washington Service Bureau, which is now in its second year, has shown a decided increase by way of calls from members and services rendered to members.

A large number of inquiries received and handled by the Bureau during the year were concerned with claims of member companies against the government, requests for information on government construction jobs, requests to investigate the status of payment on government orders, to investigate the reasons for delay in payment, etc. There were, however, an almost equally large number of inquiries of the most varied character.

While the ability of the Bureau to assist members in Washington in connection with these varied demands has been appreciated, it has been fully recognized that it would be unwise for the Bureau activities to be extended too far from the legitimate field of the work of the Association generally. For that reason the utmost care was taken during the year not to transgress on the field of activity of trade associations and other similar organizations, or to perform any service which might be contrary to the policies and best interests of the Association.

LEGISLATION

The legislative work by the Association has shown still further increase during the year. The principal single activity has been directed toward assistance in drafting the pending bill to modernize the Bankruptcy Act. Active work has also been carried on in connection with furthering of legislation designed to be beneficial in the field of credit as well as in opposing measures detrimental to credit interests. Our traditional Association policy of confining our legislative activities to matters pertaining to credit and finance has been adhered to. A more detailed report on the legislative activities of the Association is being submitted to this Convention by the Chairman of the National Legislative Committee.

CREDIT EDUCATION

Interest in credit education has grown during the past fiscal year. This interest is shown by an increase in the number of Chapters of the National Institute of Credit as well as in larger enrollment in already existing Chapters.

PUBLICATIONS

We feel that our publications have shown further advances both in their usage and in the prestige accorded them as the outstanding mediums of thought in the field of credits. This advance pertains to our magazine "Credit and Financial Management," to the "Credit Manual of Commercial Laws" and to the other bulletins and articles prepared by Association officers, members of the staff and members of the Association.

PUBLICITY

The newspaper clippings received have importance as indicating the publicity given to our organization and the prestige accorded it in connection with expressions made on matters of credit and finance. Such clippings for the past year increased by 7% over those of the preceding year, after rising in each of the past five years as well.

During the year our Economic Credit Council, made up of approximately 200 members with each local Association having at least one representative, made two surveys of opinions on business conditions and the business outlook.

A new activity undertaken and developed during the year was the cooperative survey of sales and collections made in cooperation with the Department of Commerce. There are at present 1,600 firms cooperating in the furnishing of material upon which this monthly survey is based. The survey results are being released first to cooperators and then in "Credit and Financial Management" and also through the newspapers of the nation. It is expected that the list of firms furnishing information and the scope of the survey, itself, will soon be increased and that the results obtained will serve as valuable information for those who are working in credits.

FRAUD PREVENTION

The Fraud Prevention Department continued its vigorous prosecution of persons engaged in commercial fraud reports during the fiscal year just ended. The most recent case brought about the breaking up of a notorious group of individuals who had been operating in Michigan, Ohio, Illinois, Rhode Island, Connecticut, Pennsylvania, New Jersey and New York, and whose activities have been estimated to have cost manufacturers, wholesalers and merchants more than $200,000.

This brief resume of our year's activities does indicate that we are going forward. However, I want to repeat that we are by no means satisfied with past accomplishments and must look forward to aggressive and constructive policies for the future if we are to render the service of which our Association is really capable.

MEMBER COOPERATION

During the year we have received splendid cooperation from our membership, National and local Directors, and Committees. I personally desire to express my appreciation to everyone for their patience and their devoted and loyal service. Our National President has given unstintingly of his time. We are indeed tremendously obligated to him. I take this occasion of extending my personal thanks for the helpfulness he has extended me. I also wish to thank each and every member of the staff and the local Secretary-Managers and other local officers for their assistance. I am particularly happy to accord a better understanding by and between the local and National management of our mutual problems, and a more cooperative effort in their solution of these problems.

It is one of the rich compensations from this type of work to see such splendid teamwork. It makes difficult assignments seem worthwhile.

Baton Rouge, La.—Miss Aline Reed, formerly with the Eaco, Inc., of New Orleans, as Credit Manager, has been appointed Credit Manager of the Evans Electrical Supply, Inc., of Baton Rouge, La. Miss Reed is active in the operations of the New Orleans Credit Men's Association.